

Strauss party heavily defeated in elections

Herr Franz Josef Strauss's Christian Democrats suffered heavy losses in elections for the Parliament in the West German state of North Rhine-Westphalia yesterday. The result dealt a severe blow to Herr Strauss's hopes of becoming Chancellor. The state has almost a third of the national electorate and the vote was regarded as a trial run for the national elections in October.

Blow to hopes of chancellorship

From Patricia Clough
Bonn, May 11

Herr Franz Josef Strauss's hopes of becoming West German Chancellor received a severe blow today when the Christian Democrats suffered heavy losses in the crucial elections for the North Rhine-Westphalia Land (state) Parliament.

The first trends pointed to an almost undreamed of success for the Social Democrats, led by Herr Helmut Schmidt, the Chancellor, who became the strongest party in the state and looked like winning an absolute majority.

Their smaller coalition partners, the Free Democrats, however, were hovering dangerously close to the 5 per cent minimum required for representation. They had apparently lost many votes to the ecological "Green" party which was participating for the first time.

Since North Rhine-Westphalia's 12.2 million voters represent almost a third of the national electorate and closely reflect its social and political makeup, today's vote was regarded as a trial run for the Bundestag elections in October.

With more than one-third of the votes counted, the Christian Democrats, originally the strongest party with 47.1 per cent, appeared to have lost more than 4 per cent, a serious defeat in a proportional representation system like that in West Germany.

The losses are expected to be blamed to a large extent on Herr Strauss, whose performance as a candidate for Chancellor has disappointed many Christian Democrats. It may prompt more demands from within the party that he be replaced before the national elections.

Another factor may have been the death, three weeks before the elections, of Herr Heinrich Köppler, the Christian Democrats' popular Land leader. His successor, Professor Kurt Biedenkopf, a brilliant but controversial politician, had made many enemies, particularly by supporting Herr Strauss's candidacy.

The Social Democrats' gains will be seen as a personal victory and vote of confidence for Herr Schmidt, since his party had been campaigning with the line that a vote for them was a vote to keep the Chancellor and stop Herr Strauss "before it was too late".

The Christian Democrats probably benefited also from the warm, sunny weather. Apart from its importance as a test of the country's political mood, the election was vital to the Chancellor since a Christian Democrat victory would have given the Opposition a two-thirds majority.

The Bundestag, the German House of Representatives, and would have made it extremely difficult, if not impossible, to govern.

The "Green" party, still an unknown quantity in West German politics, gained just over 3 per cent, well below the margin required for seats in the state Parliament. The result appeared to dash hopes that the "Greens" would be able to draw enough votes away from the coalition parties to give the Christian Democrats the necessary majority.

Although they appear to have done severe damage to the Free Democrats by reducing their 6.7 per cent to around 5 per cent, the Social Democrats clearly made their own gains despite possible defections to the "Greens" by their younger voters.

Sudden end to labour dispute in Sweden

From Roger Choate
Stockholm, May 11

Sweden's serious labour conflict, caused by an abrupt end tonight when employers agreed to pay a 6.8 per cent wage award recommended by the Government mediation board.

Earlier the trade union federation accepted the award, but the employers refused, saying it would harm the national economy.

The employers' Federation changed its mind after Mr Thorbjörn Fälldin, the Prime Minister, summoned its chairman, Mr Curt Nicolin, to appear before the Cabinet. It was understood that an angry Mr Fälldin urged Mr Nicolin to tell the employers to review their decision urgently. One source said the Government was considering introducing legislation to force industrialists to end their lock-out.

Late tonight, Mr Fälldin announced that he had received a message from the employers, accepting the commission proposal after all.

This means that the lock-out of 750,000 workers in the private sector will be lifted immediately and the labour unions will call off selective strikes involving at least 100,000 more.

Public sector unions engaged in parallel negotiations, also accepted a mediation wage award of 7.5 per cent. Over-time bans and blockades were therefore lifted immediately at airports, and airports, and public transport resumed services. All schools reopened tomorrow and radio and television stations are back on the air.

The proposal, now accepted by both sides, will not increase real incomes in the long run. Sweden's deteriorating economic position has caused a painful adjustment for wage-earners who had grown accustomed to ever faster wage packets.

Negotiations began last November broke down on April 30, when Mr Gunnar Nilsson, chairman of the union federation, rejected a mediation proposal for an overall 2.3 per cent rise. He said it meant a lowering of real incomes in view of inflation.

The subsequent conflict, which lasted more than a week, involved one quarter of Sweden's labour force. Industrial production almost ceased, public services were disrupted and on Friday transport workers halted most deliveries of oil and petrol.

In a statement tonight the employers' federation declared: "We accepted in spite of the fact that such a large rise in the wage level will have negative effects on the national economy and put a strain on state finances. The damage from a continued strike, however, was considered to be so serious that the proposal was accepted."

Express plans court complaint if order to withdraw strike circular is not carried out

By Paul Routledge
Labour Editor

The High Court may today be asked to rule if the National Society of Operative Printers, Graphical and Media Personnel (Natsop) is in contempt of court by refusing to withdraw its strike circular.

Unconfirmed reports were circulating in Fleet Street last night that Express Newspapers, which was granted an injunction against Natsop three days ago, will complain to the TUC's day of action on Wednesday.

Those rumours, legal moves came practically on the eve of the protest action, for which support is falling off substantially after the judgment that the stoppage is a political one, which has no protection in law.

Mr Jocelyn Stevens, managing director of Express Newspapers, has written to employees telling them that failure to stand work for the May 14 publication day of the Daily Express, Daily Star and Evening Standard will make staff liable to dismissal.

Mr Victor Matthews, chairman of Express Newspapers, offered on BBC Television's The Money Programme, last night to give the unions four pages in the Daily Express to put their point of view, if they worked normally. Natsop had already submitted the text of quarter-page advertisements it wanted to appear in the papers, and Mr Edward O'Brien, the

union's assistant general secretary, said the offer would "not make much difference" to its position.

Mr William Keys, general secretary of the Society of Graphical and Allied Trades (Sogat), which has obeyed the order in respect of its members at Express Newspapers, yesterday reaffirmed his union's support for the day of action, and said it was unlikely there would be any newspapers on May 14.

Sogat branches had been sending "in" messages of support from Merseyside, Manchester, Glasgow and London.

Responding to Mrs Thatcher's remarks at the Scottish Conservative conference in Perth, he added: "The words she has used to describe the day of action - 'this job'

destroying folly' could better be applied to her own Government."

The hard-line leftist strategy after May 14 is disclosed in a new propaganda pamphlet published today by the Communist Party. In it, Mr Michael Costello, the party's national industrial organizer, attacks the campaign against the Employment Bill to the TUC's successful opposition to Labour's In Place of Strife and the Tories' 1971 Industrial Relations Act.

The Civil Service reaction to the protest is uncertain. Mr Kenneth Thomas, general secretary of the Civil and Public Services Association, said that he would be "urging, extolling, endorsing and recommending" his members to join the action.

Vote protest: A Labour MP yesterday accused the Government of deliberately staging the Commons vote on Iran sanctions to coincide with May 14 protests, to cut the numbers voting against. Mr Tam Dalyell, MP for West Lothian, said in a constituency speech that many Labour MPs would have to leave before the vote late on Tuesday night both because of May 14 rally appearances, and because of travel disruption.

The Institution of Professional Servants challenged the court's ruling that the day of action was a political strike. It argued it had a justifiable industrial dispute after the cuts in the Civil Service.

Labour MPs defend TUC: hotels booked up, TUC Letters, page 15

Moscow call for frank dialogue with Washington

By Paul Routledge
Labour Editor

Moscow, May 11.—The Soviet Union indicated a new readiness to normalize relations with Washington with a call today by Moscow newspapers for frank and honest dialogue between the two countries.

The call, issued six days before Mr Edmund Muskie, the new Secretary of State, meets Mr Andrei Gromyko, the Soviet Foreign Minister, in Vienna, was included in a Tass report, published by national newspapers, of President Carter's speech on Friday to the United Nations General Assembly.

It was the first public invitation for dialogue since President Brezhnev said in January in an interview with Pravda that the United States was "an absolutely unreliable partner in inter-state ties" for instituting sanctions against the Soviet Union over its intervention in Afghanistan.

Today's report said that Mr Carter had asked in his speech when Moscow would change its policies to allow an improvement in relations. It indicated that the onus of change was on Washington.

"It would be justified to ask the United States President when the United States and its allies will cease their declared war against the Afghan people and the lawful government of Afghanistan."

Today's Tass report said: "What is needed in order to have normal relations is not a demagogic utterance, but a sober approach to a frank and honest dialogue."

Soviet leaders have said they will not withdraw troops from Afghanistan until outside interference—which in the Kremlin view is a continued US policy—the Kabul Government has ceased.

Soviet media have given almost no attention to the Vienna meeting, when the foreign ministers will attend celebrations marking the twenty-fifth anniversary of Austria's state treaty.

A commentator in Pravda said today that many observers in the United States and elsewhere hoped Mr Muskie would bring some elements of a new approach to US foreign policy. The Secretary of State was "an experienced political figure"—Reuter.

Whitehall cuts news delayed

The announcement of a further cut of more than 60,000 Whitehall Civil Service jobs by the Prime Minister may not come today, as tentatively scheduled, but may be deferred until tomorrow or Thursday. (Our Political Editor writes).

Mr Thatcher was expected to announce the decision as soon as possible, but she was reported not to have decided on the schedule. It was admitted that the announcement might not be made until Wednesday, the day of action, but any political consideration in the choice of the date was denied.

Salvador Dali ill

Madrid, May 11.—Salvador Dali, the Spanish surrealist painter, was seriously ill, his Madrid morning newspaper El Imparcial reported yesterday on his seventy-sixth birthday.



Paul Allen, aged 17, the youngest footballer to play in an FA Cup final, holding the Cup yesterday when the West Ham team was greeted at Newham town hall, London. Reports, pages 4, 10.

Three-year limit on spending forecasts

By David Blake and
Caroline Askins

The Government has decided to plan its spending programme over three years instead of the present four.

The move to reduce the period over which the Government makes spending commitments was revealed last week by Mr Nigel Lawson, Financial Secretary to the Treasury, in a Commons debate. It has profound implications for the planning of public spending, although it seems to have passed almost unnoticed in the House of Commons.

White Paper will give figures only until 1983-84, which is the termination date of the spending White Paper published this year at the time of the Budget.

Ministers have made it increasingly plain since taking office that they are sceptical about the value of long-term planning of public spending which goes on in Whitehall.

The White Paper earlier this year gives far less detail than previous documents about where the Government intends to spend money. The intention is to cut the length of time over which the Government makes its commitments of its spending intentions.

The driving force behind the change seems to be Mr John Biffen, Chief Secretary to the Treasury, who has repeatedly argued against "futures" in trying to predict what will happen to government spending and to the economy as a whole.

Three reasons are advanced for reducing the period covered by spending plans. One is that the time of present four-year plans is so remote as to make it difficult to have serious consideration.

Secondly, it is claimed that the time of present four-year plans is so remote as to make it difficult to have serious consideration.

Thirdly, it is claimed that the time of present four-year plans is so remote as to make it difficult to have serious consideration.

'Make or break' print talks

By Our Labour Editor

Leaders of the National Graphical Association met the Newspaper Society yesterday for talks on a peace formula to end the seven-week dispute that has halted publication of most provincial newspapers.

The talks in London were described by Mr Joe Wade, general secretary of the NGA, as being a "make or break session" on the union's claim.

The employers are understood to have increased their offer and both sides expressed optimism that a settlement may be reached in the talks. However, Mr Wade said the last improvement was not enough and a gap still remains.

The Sunday People yesterday became the sixth Fleet Street casualty of the dispute.

Forest fire threatens two villages

Dozens of people were facing evacuation from their homes last night as strong winds fanned a forest fire covering more than 800 acres in North Wales.

About 120 firemen and Forestry Commission workers were fighting the flames between the villages of Rhydymair and Tan-y-bwlch in Gwynedd. The village of Rhyd had been cut off by the fire, the Royal Automobile Club said.

Part of the route of the narrow-gauge Festiniog railway is surrounded, and 200 passengers had to be transferred to buses.

The fire started on Saturday and grew more dangerous with a sudden change of wind yesterday afternoon.

Minister's daughter is shot dead as power struggle erupts in Uganda

From Charles Harrison
Nairobi, May 11

A power struggle was in progress in Uganda at the weekend after President Godfrey Binaisa had moved to neutralize what he saw as a plot to overthrow him.

Brigadier David Oyite-Ojok, army chief of staff and a fellow tribesman of Dr Obote, had refused to accept an order from President Binaisa dismissing him from his army post and appointing him Ambassador to Algeria.

Soldiers who say they are acting for the Military Commission of Uganda's interim parliament, the National Consultative Council, took control of the Kampala radio station, apparently preventing the broadcast of further statements from President Binaisa.

The Military Commission, headed by Mr Paulo Muvumba, the Minister of Labour, who supports Dr Obote, broadcast a statement saying that President Binaisa had no power to dismiss the army chief of staff without approval of the National Consultative Council.



President Binaisa: Concern at image of army.

But President Binaisa, who was still in the State House at Entebbe, today insists that he has the power to dismiss the chief of staff.

In announcing the dismissal, President Binaisa had expressed concern at a breakdown in relations between the newly-trained Uganda Army and civilians. There have been several clashes in the

Kampala area, with Ugandans accusing the Army of looting and intimidating civilians.

Brigadier Oyite-Ojok, who was a senior army officer under President Obote, escaped from Uganda after the 1971 coup and returned with the Tanzanian and Ugandan forces which overthrew President Idi Amin last year. He has a strong body of support in the new Uganda Army, and has been accused by Ugandan newspapers of having a "private army" of supporters in his native Lango district and adjoining areas of northern Uganda.

Dr Barnabas Kunukwa, the Minister of Internal Affairs, a close associate of President Binaisa, was taken from the Nile Mansions Hotel in Kampala yesterday by armed soldiers who sealed off the hotel, the residence of most government ministers, for several hours. He was released a few hours later.

The 16-year-old daughter of Mr Mathias Ngobi, the Minister of Agriculture, who was applying for travel documents to visit his father, when his bodyguards opened fire on the soldiers, was shot dead during the incident.

Continued on page 7, col 1

US recalls two envoys for Palestine talks

Mr Edmund Muskie, the new American Secretary of State, has recalled the United States ambassadors to Egypt and Israel for consultations with him, Mr Carter and Mr Sol Linowitz, the President's special Middle East envoy, as part of an urgent review of the review comes after President Sadat's decision to suspend autonomy talks with Israel. Page 7

\$1,500m for Chrysler

The White House has approved loan guarantees of \$1,500m (\$552m) to save the Chrysler Corporation from bankruptcy. The first instalment of \$500m could be paid to the car company within 15 days. Mr Lee Iacocca, Chrysler's chairman, welcoming the decision, said it would save the jobs of 500,000 Americans. Page 17

Seventh siege gang member sought

Scotland Yard's anti-terrorist squad is seeking a seventh member of the group that attacked the Iranian Embassy in London. Called Sami Muhammad Ali, he had an address in Baghdad. Police have found the flat in west London used by the gunmen before the assault, and suspicions of Iraqi involvement are hardening. Page 2

ITN dispute goes on

ITN's blackout on news bulletins seems unlikely to end until tomorrow at the earliest as management and union negotiations have reached an impasse. The dispute began when members of the Association of Cinematograph, Television and Allied Technicians blacked electronic news-gathering material. Page 2

Bani-Sadr delay

President Bani-Sadr of Iran has delayed nomination of his new Prime Minister while the power-struggle of the newly elected Parliament becomes clearer. Page 7

Planners upset by nerve gas secrecy

Council planners at Salisbury, Wiltshire, have objected to an edict from the Government's Property Services Agency that talks on the nerve gas threat to Porton Down should be held in secret. A councillor accused the agency of trying to hide behind the Official Secrets Act. Page 4

Elected Lords debate

A report that the Government is considering all-party discussions on a proportionally elected second Chamber was described as premature. However, senior Cabinet ministers who favour the reform are expressing delight at the prospect of reviving a national debate on the issue. Page 2

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Financial Editor: British Airways on the slipway; Electronic Computers stock market forecasts; Business features: Ed Lapthorn on the Chrysler rescue; Michael Stewart on monetary control policy.

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HOME NEWS

Council planners say government department is hiding behind secrets Act over nerve gas move

By Pearce Wright
Science Editor

Equipment used for the development of lethal nerve gases and psychotropic chemical weapons is being transferred from Nancekuke, Cornwall, to the Chemical Defence Establishment, at Porton Down, Wiltshire.

The planning committee of Salisbury District Council was advised as a matter of routine by the Property Services Agency of the move of processing plant and effluent treatment tanks. Civil engineering construction at the Chemical Defence Establishment has started and work on underground lead-lined storage vaults began more than a year ago.

However, the matter has not been examined by the local authority because some members of the planning committee object to an instruction from the Property Services Agency that the press and public must be excluded from any discussion.

Mr Austin Underwood, a councillor, said yesterday that the instruction was an example of the government department trying to hide behind the Official Secrets Act, which he says is the last refuge of the scoundrel.

He believes that developments on Crown lands are pursued without much reference to local authorities.

In the case of the transfer from Nancekuke to Porton Down, he says, it was outrageous to attempt to suppress a proper examination after giving out certain details. There could be no question of discussing a formal planning application in secret.

The Property Services Agency has been told of this decision.

Mr Julian Perry Robinson, an

observer of current negotiations in Geneva on chemical disarmament, said yesterday that there was a genuine argument for the production of small quantities of some types of nerve gas so that it could be used for assessing the threat of certain forms of those compounds.

The plant at Nancekuke was the process development station for the Chemical Defence Establishment. Agents discovered in basic research at Porton Down were transferred to Cornwall for chemical testing and to help to design an experimental manufacturing plant.

The site on the Cornish cliffs was chosen for safety reasons because of its remoteness and suitability for good disposal of effluent.

At the first and only press view of Nancekuke, 10 years ago, three levels of operation could be observed. A small laboratory purified samples of nerve gas material, such as Sarin, in milligram quantities.

A larger laboratory explored the factors involved in designing a plant for volume production, and the third stage was an automated pilot plant on which trials took place to produce kilograms of particular materials.

Large-scale production of nerve agents has since been taken over by the United States and the station in Cornwall has been allowed to run down over the past three to four years.

A group of technical and defence experts from 25 countries visited Nancekuke early last year on the initiative of the Foreign Office.

That was a "confidence building" exercise which was hoped that the United

States and the Soviet Union could achieve agreement on prohibiting the development, production and stockpiling of chemical weapons.

The visit showed what could be achieved by inspection, because the agreement would hinge on whether the activities of the main powers could be verified. That was left at Nancekuke in operating condition was a small furnace that was burning some old stocks of mustard gas.

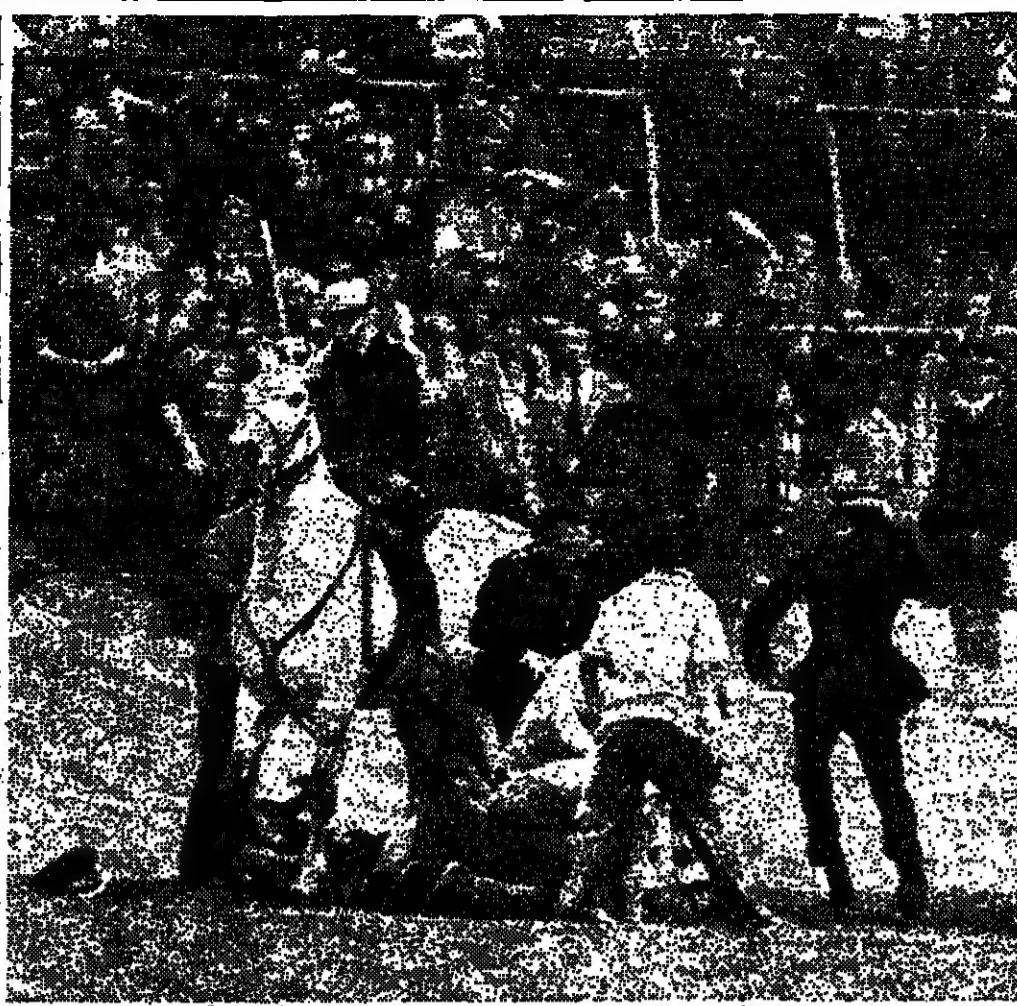
The group also toured a factory belonging to the chemical company, Albright and Wilson. That visit was organized to illustrate how to avoid arguments that commercial security could become a screen for other activities.

The factory was using organophosphorus materials for industrial purposes; modern lethal chemical weapons are also based on organophosphorus compounds. There are three main substances in use, Sarin, also known by the initials GB, Soman, or GP, and an agent referred to simply as VX.

In a review of chemical warfare and chemical disarmament negotiations in an issue of *Scientific American*, Professor Matthew Meselson, of Harvard University, and Mr Perry Robinson suggest that one milligram of Sarin, or less than half a milligram of VX, is a lethal dose.

Sarin and VX are the two standard nerve gases in the United States' stockpile, and the Soviet stocks, according to Western experts, contain mainly Soman.

About 15,000 tons of Sarin had been produced up to 1960 and 5,000 tons of VX was made between 1961 and 1967.



A mounted policeman charging into the crowd that invaded the Hampden Park pitch

Crowd curb plan after violence

From Ronald Faux
Glasgow

Violence after the Scottish Cup final at Hampden Park, Glasgow, on Saturday may lead to restrictions on the size of crowds watching big matches. Four policemen and many spectators were injured and 210 football supporters were arrested after a battle on the pitch and in the stands.

The violence, which was seen by millions on television, lasted for 15 minutes and police faced a barrage of beer cans and bottles.

Mounted police with batons drawn charged the battling supporters, forcing them back on to the terraces. The crowd had stormed over the mesh barriers separating them from the pitch.

In the crush to avoid the bottles and cans that were being hurled, one policeman was trampled on by a police horse. Two officers were treated behind the goals and two more in hospital.

Celtic had defeated Rangers

by one-nil after extra time when Celtic supporters from the 73,000 crowd broke through to the centre of the pitch. Rangers followed from their end of the ground and fighting began.

Police estimated that 1,000 from the crowd, some armed with sticks and bottles, invaded the pitch. There were 18 mounted police on duty, including four women. The baton charge was the first in Glasgow since the riots during the 1926 general strike.

The first-aid room at the football ground was crowded. More than 100 cases were treated there and a further 100 dealt with at the Victoria Infirmary. Police said yesterday that the condition of the injured was satisfactory.

Mr Alexander Fletcher, Under-Secretary of State at the Scottish Office, who watched the match, said that if crowds could not be controlled they would have to be limited to size the police could handle with the manpower available. He promised there would be an investigation of the violence.

Strathclyde police had 300 officers inside the ground and 200 outside. Mr Patrick Hamill, Chief Constable of Strathclyde, said the failure of the metal mesh barriers separating the crowd from the pitch was one of the most important factors.

The question of policing such matches would be reviewed urgently. The violence, he said, had involved only a minority of spectators. He described it as "mindless buggery aggravated by drink".

The Celtic Supporters Association yesterday blamed lack of police at the ground for the disturbance. The Rangers Supporters Association said any member arrested on the pitch on Saturday would be dealt with severely.

Mr Ernest Walker, secretary of the Scottish Football Association, said he had been "horrified and disgusted" by the violence.

Mr Malcolm Rinkind, Scottish Office minister responsible for law and order, yesterday congratulated the Strathclyde police on their handling of the violence. Their action, he said, had prevented an ugly disturbance from becoming a full-scale riot.

The incident had shown how right the Government was to be legislating in the Criminal Justice Bill to prevent alcohol from being taken into football grounds. The Rangers-Celtic Glasgow Cup final, which was to have been played tonight, has been postponed.

Match report, page 10

FA Cup winners feted in the East End

By a Staff Reporter

The East End of London was a colourful blaze of blue and white yesterday when an estimated 210,000 football supporters welcomed home West Ham United, winners of the Football Association Cup on Saturday.

To the cheers of happy supporters and the sound of the team song, "I'm forever blowing bubbles", the players were given a rousing Cockney reception after being driven triumphantly from central London.

Thousands lined the route to catch a glimpse of the victorious second division team being driven in an open-top coach to a civic reception in Newham town hall. There the team stood on a balcony, draped with the message "Welcome to the Hammer", holding aloft the

FA Cup and being cheered by 10,000 supporters below.

The team was overwhelmed by the size of the turnout. Mr John Lyall, the manager, said: "It is incredible to see so many here. I do not think another team could expect this sort of welcome."

Mr Lyall said many of the players came from the area or had relatives still living near by, so the team had a great identity with the East End.

Trevor Brooking, who scored the goal that gave West Ham victory over Arsenal, said: "The win has lifted the whole area. It means we shall be playing in Europe next year and I am as pleased for the fans as I am for the team."

Scoring the goal was a bit special. It is something to savour in years to come, but

it was a team effort and everybody did their job."

There was a carnival atmosphere all along the route as cheering, chanting, singing supporters waited in blazing sunshine for the team to arrive. Lorrys, vans and cars, with blue and white ribbons streaming from door handles, hooted their horns in celebration, as youths standing on the pavement chorused: "We won the Cup."

The centre of attention at the town hall was Paul Allen, aged 17, the youngest player to appear at Wembley in a Cup Final. He was surrounded by autograph hunters and said: "It's a great honour to be here. I am just happy to be here and to have had the opportunity to play."

Match report, page 10

Trident missile deal 'may cut Nato cash'

By Henry Stanhope
Defence Correspondent

Britain will probably have to cut part of its contribution to Nato if it buys the Trident-I nuclear missile from the United States, according to an important new study.

The Government is expected to announce this summer that it has decided to purchase the Trident system as Britain's next strategic deterrent when the Polaris force is phased out in the 1990s.

Professor David Greenwood, of Aberdeen University, a specialist in defence economics, says that the price of such a decision could be as high as £5,500m over the next 15 years.

Unless the defence budget is raised again, which seems unlikely, that would force Britain to make 14 per cent cuts in at least one area of Nato spending.

Professor Greenwood says that by the late 1980s the average cost of procuring Trident-I, building five new submarines to carry the missiles and maintaining Polaris at the same time could be about £325m.

One way to find the money would be to reduce Britain's contribution to the defence of the eastern Atlantic and the Channel, which would mean savings in the shipbuilding programme and in the RAF's maritime squadrons.

Another might be to reduce the number of Army divisions

in West Germany from four to three, to reshape RAF Germany and cut the provision for reinforcement in wartime. There are other ways savings could be made, he says, and there are alternatives to Trident-I as a replacement for Polaris.

"But the message remains the same," he goes on. "The price" of a Trident programme, and of the alternatives too in all probability, is abandonment of the notion that the United Kingdom should make a balanced contribution to Nato."

Professor Greenwood acknowledges that the Government could choose to find the money for Trident by making smaller adjustments throughout the Forces, and thus trying to "live with" the cost.

That would be difficult, however, after the economies introduced as a result of the defence review carried out by the previous government in 1974-75.

A decision on a replacement system for Polaris was originally expected either before last Christmas or early this spring. One reason for the delay is thought to be the difficulty the Government is having in fitting the costs of a Trident purchase into the estimates over the next 15 years, and in deciding what economies might have to be made.

The Polaris Successor System: At What Cost? (The Secretary, Centre for Defence Studies, Aberdeen University, Edward Wright Building, Dumbair Street, Aberdeen, AB9 2TY; £2).

Clash over shorthold tenancy plan

By John Young
Planning Reporter

An increasingly bitter dispute is developing over the Government's proposals for shorthold tenancies in the Housing Bill now before Parliament.

The declared aim of allowing landlords to let properties for agreed short periods, with no subsequent security of tenure, is to bring more empty properties into use. At present, it is argued, many owners are deterred from letting flats and houses by the fear that they will not be able to regain possession.

Critics say that the proposals will reopen the door to the abuses which the various Rent Acts were intended to prevent. Although extending tenancies will continue to be protected, they say, the landlords will be converted to shortholds as soon as the present tenants leave. Unscrupulous landlords will be tempted to use harassment to get rid of protected tenants.

It is a considerable extension of the argument across social and political lines. Many of the scheme's most vociferous critics are middle class and relatively affluent, and a number of Conservative politicians are known to have written to Mr. Bothwell, Minister of Housing, and local authorities in the larger cities, where there is still a substantial element of privately rented accommodation.

In recent weeks opposition to shortholds has been articulated by the Campaign for Private Tenants' Rights, which points out that people who genuinely want only short term accommodation will leave of their own accord. As for the rent, provided they carry out the terms of the tenancy, there is no reason why they should be evicted simply because the landlord wishes to rent at a higher price or to sell the property while vacant possession is available.

In an article published today in *Roof, the Shelter* magazine, Mr Les Burrows, the organization's research officer, observes that the proposals in the Bill bear little relation to the concept first set out by Sir Ronald Ridsdale, Conservative MP for Kensington during the last Parliament.

Sir Burrows' scheme contained many safeguards which he writes. They included provision that first refusal should be given to a shorthold tenant if the landlord intended to continue letting; that the property should be self-contained and of a reasonable standard; that the letting should be registered; and that the agreement should be signed by both parties in front of a rent officer, who would explain rights and obligations.

Mr Burrows indicated yesterday that even with changes Shelter would be generally opposed to the shorthold idea. "We think the removal of the principle of security of tenure is too high a price to pay for landlords' cooperation," he said.

Mr Sellers better

Peter Sellers, the actor, left hospital in Dublin yesterday, six days after suffering a heart attack.

£5m for staff who seek TV franchise

By Kenneth Gosling

Yorkshire Television staff who are bidding for the area franchise against their employers have been promised £5m in financial backing and are confident of raising a further £10m. Mr Donald Baverstock, former Yorkshire Television director of programmes, said yesterday.

He added: "There is a totally serious bid and it ought to succeed." Yorkshire Television was making no comment yesterday on a report in *The Sunday Times* that the employees had asked Mr Baverstock, chairman of the Independent Broadcasting Authority, to place them under his personal protection. But Mr Baverstock said they feared they might be subject to detention or be moved from one job to another.

In a letter in January Mr G. E. Ward Thomas, chairman of Trident Television, parent company of both Yorkshire Television and Tyne Tees Television, gave a warning that employees could be moved to other jobs if they did not support the bid.

The bid by Television Yorkshire, representing the staff group, was drafted by Mr Baverstock and is being led by Mr Baverstock and Mr Austin Mitchell.

Mr Baverstock said: "They asked us to do this, because they wanted to be a workers' cooperative but a privately run company, separate and independent."

More children of workless being battered

By Our Health Services Correspondent

Children of unemployed fathers are much more likely to be battered than children of working fathers, according to a new medical study. The researchers who carried out the study, published in *The Lancet*, found that 20 per cent of the battered children they looked at in Dundee had unemployed fathers. The overall unemployment rate in Dundee is 9.6 per cent.

The study set out to see if battering was more common in babies who were separated from their mothers in the first year of life. That, also, proved to be a factor in deciding what children were battered. Children who were admitted to hospital before the age of one were more likely to be battered.

The Dundee study says that very many families are potentially child abusers. Stress factors such as unemployment, mental illness and illegitimacy can turn a potential child abuser into a child batterer.

The research was carried out by Dr John Cater and Mrs Phyllis Easton, of the Dundee Medical School. They looked at 80 battered children and compared them with other children in the same families who were not battered.

Sussex check on banned drivers

Sussex police have been chosen to pilot a new system to check banned drivers. At present police forces rely on visually checking a suspect driver's licence. If stopped, offenders can pretend they have left it at home.

Now a national register of disqualified motorists will be kept on the police national computer. Officers will be able to make roadside checks. The system is due to cover the rest of Britain later this year.

Car driver killed

Gary Lavin, aged 18, a Liverpool car driver, was killed and five other people were seriously injured in a collision between two cars in Liverpool Road, Alnwick, near Southport, early yesterday. Lavin lived at Oaker Forum, Norris Green, Liverpool.



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SPECIAL REPORTS

Warning over publicity on drug after boy's death

By Annabel Ferriman
Health Services Correspondent

Research into the cancer drug, interferon, should not be conducted in the full public gaze, Dr Gordon McVie, senior lecturer in oncology at Glasgow University, said yesterday.

The death of one of two boys being treated with the drug could lead to a swing against it which was just as harmful as the previous too optimistic hype to it, he said. Fergal O'Hara, aged 14, from Northern Ireland, who died on Friday, had been treated with the drug as a private patient by Dr Thomas McAillister, at the Bon Secour Hospital, Glasgow, since the last week in April. He was the second patient to be treated with it, the first being a boy aged 16 from London.

Dr McVie said the publicity that had surrounded the two cases would make it harder for cancer specialists to launch clinical trials into the drug, which they were expecting to do at the end of the year.

They were waiting for the drug to be produced in Britain.

Three drug companies were in the race and it was expected that they would soon produce a purer form at a tenth of the present price.

Dr McVie said the present drug produced in Scandinavia was toxic, with the result that some patients lost their hair and lost weight. Now the success rate is good. In trials on 170 patients in the United States only 22 to 25 per cent enjoyed partial and temporary relief.

He added: "But it is an exciting drug. Although it will undoubtedly not prove effective in all cancers, there is some evidence that it might be useful for leukaemia, one of the leukemias, and for skin cancer, for example."

"Now, people might say it does not work, that it is just one of those seven-day wonders. From being frightened not to get it, patients might become frightened to be given it."

"The publicity has been very harmful. No conclusions can possibly be drawn from a trial on two patients alone."

Fire threat to forests and moors increases

By Our Planning Reporter

Access to forests and moorland areas may have to be restricted soon because of the dry weather and the fire risk.

A moorland fire broke out for 72 hours and a blaze on the Isle of Mull, Scotland, was extinguished at 5 am yesterday after 16 hours. Lancashire County Council has banned access to two areas of the Forest of Bowland because of the "exceptionally high" risk.

The unreasonable lack of rain in recent weeks is dismaying farmers as well. The National Water Council said yesterday that rainfall in April was only a third of the average. So far this month, according to the London Weather Centre, it has been negligible, about 0.25 mm, and the same holds good for most of the country.

Both organizations emphasize, however, that there is no present danger of a repetition of the 1976 drought, which came after several months of exceptionally dry conditions.

Orchestras mark time for test case appeal

By Martin Huckerby
Music Reporter

Action is expected within the next few weeks on a legal case which might cost British orchestras about £500,000 a year, an additional cost which most are in no position to meet.

The orchestras have been waiting since last year for a High Court decision on a dispute between the Department of Health and Social Security and the English Sinfonia Orchestra, which has resulted in a test case on the status of freelance players performing with orchestras.

The Nottingham-based orchestra is appealing against a department ruling that it must pay national insurance contributions for the "extras", the freelance musicians it occasion-

ally employs to supplement its permanent staff.

Mr James Allaway, general manager of the orchestra, said it was expecting the appeal to come up before Christmas. It was very unhappy that solicitors had still not received the necessary information from the department which would enable the case to go ahead.

The department denied that there had been any deliberate delay, and said that the documents in question were almost ready to be served on the orchestra. That would probably be done in the next few weeks, it said.

Even with both sides ready to proceed, a date will still have to be arranged for a court hearing, so a further wait is inevitable. The delay

continues to present difficulties for the orchestra, which is holding back money it could otherwise have used for concerts. So far this month, £25,000 just in case it has to pay up for the past two years.

If the appeal goes against the orchestra, then orchestras throughout Britain can expect demand from the department for contributions for freelance players, despite the fact that such self-employed musicians already pay their own contributions. As well as the extra payments, extra administrative costs, would be incurred.

The Association of British Orchestras estimated that the total cost each year would probably be about £500,000. While the big London orchestras have no spare money

to meet such a demand, the burden would be particularly hard for the orchestras which are not full-time and rely heavily on freelance players.

The Manchester Orchestra believes that the extra payments in its case, which would come to nearly £8,000 a year, could lead to bankruptcy. If the appeal is lost it could be that orchestras will avoid presenting works which require large orchestras. For instance, the cost of employing extra players to perform the symphonies of Mahler and Bruckner can rarely be covered by increased box office receipts. The national national insurance contributions could make the losses so great that they could not be compensated.

WEST EUROPE

Editor fined in Spain for article on freedom

From Harry Debelius
Madrid, May 11

The editor-in-chief of one of Spain's leading newspapers was given a suspended sentence of three months and fined 50,000 pesetas (£131) this weekend for publishing a leading article on press freedom. The sentence came after a week of remarkable legal decisions.

The conviction of Señor Juan Luis Cebrián of *El País* was made public last Friday. He was tried after the public prosecutor appealed against a Madrid district court's decision which had acquitted Señor Cebrián of contempt of constituted authority and had fined him 5,000 pesetas for the lesser offence of "a lack of consideration or respect".

Señor Cebrián did not write the article published two years ago under the title "Press and Democracy", referring to the convictions of other journalists, but accepted responsibility.

It argued that courts were applying outmoded legislation against representatives of information media in contrast with the post-Franco constitutional guarantee of freedom of expression.

By coincidence, the monthly *World Press Review* of New York named Señor Cebrián editor of the year on the same day his sentence was announced.

On Wednesday a court martial in Madrid convicted two military officers on police duty of conspiring to overthrow the Government, but it dictated sentences so light that the officers will not be obliged to go to jail.

The two were freed and reinstated in the military establishment, and one of them is expected soon to receive an automatic promotion.

On Friday, Spain's central economic-administrative court overturned a lower tribunal's conviction of General Franco's daughter, Señora Carmen Franco, on charges of violating currency regulations by attempting to take 38 gold and diamond-studded medallions and insignia out of the country in April, 1978.

Italians try to work out package deal on British EEC dues

From Charles Douglas-Horne
Rome, May 11

Italy, as the current president of the EEC, has started the attempt to salvage something from the failure of the Luxembourg summit to reach agreement on Britain's contributions to the Community's budget.

Efforts are being made at the official level to reassemble a package with compromises all round, though nothing clear-cut will be ready for next week-end's informal meeting of foreign ministers in Italy.

Italy and other members of the EEC hope for an agreement which will include a 5 per cent rise in farm prices by May 31 which is the official end of the agricultural marketing year. Britain is less impressed by this deadline and will hold out beyond it, if necessary.

Another pressure comes from the stated refusal of President Giscard d'Estaing and Herr Helmut Schmidt, the West German Chancellor, to discuss the British budgetary problem again at the Venice summit in June. However, Britain has privately warned the Italians that it would take a dim view of any attempt by the other eight EEC partners to preempt this period of bargaining with a majority vote to bring in farm price rises immediately.

In the British view, this would provoke a different level of bitterness within the Community.

Though relatively small sums of money separate Britain from the rest of the Community, the other partners, the key element which remains unsatisfactory to Mrs Margaret Thatcher is that the arrangement would provide only for 1980-1981 and 1982.

The British Prime Minister is concerned to avoid the possibility that another vexatious negotiation like this year's would coincide with the next British general election, leading to the danger that the choice of membership of non-member ship of the Community would again become a live election issue.

The British are confident that the Italians understand this

point and sympathize with Mrs Thatcher's argument. The Italians do not believe that the French and the West Germans except the point, even though Signor Francesco Cossiga, the Italian Prime Minister, has arranged for Mrs Thatcher to have private talks about it with the French and German leaders.

Even Italian officials, however, point out that the way round the problem would be for Britain to forfeit the third year of the mechanism so that the next negotiation on Britain's contribution would come a year earlier, in 1982 long before a likely election.

Britain would not think much of this permutation, but officials recognize that the final package, pre-arranged by the Community, will have to contain something for everybody to claim a victory for the Community as a whole rather than a verdict on a straight Anglo-French contest.

Britain also accepts privately that the proposed 5 per cent increase in farm prices is bound to be part of the package, while sources in Rome recognize that the German and French withdrawal of their Luxembourg offer is just a bargaining position and that they will be obliged to come back with more on the table.

The Italians are most nervous about the French position. There is anyway, some agreement in Rome on account of the fact that the Italian Government believes that President Giscard d'Estaing has messed-up the EEC initiative on the proposed neutralization of Afghanistan.

Mr Marchesi, Italian Foreign Minister, visited Paris and rejected the idea bluntly. His rejection, according to the Italians, occurred because President Giscard d'Estaing had pushed the idea too publicly, threatening to put Mr Gromyko in a corner about it.



Rowan Atkinson and Pamela Stephenson of the BBC television programme "Not the Nine O'Clock News" hold the silver rose the programme won at the Montreux International festival, watched by others in the team, Griff Rhys-Jones (left) and Mel Smith.

30-nation French-style Commonwealth agreed

From Ian Murray
Paris, May 11

A Commonwealth of 30 French-speaking states is to be established after the seventh Franco-African summit, which ended in Paris yesterday. President Leopold Senghor of Senegal announced its creation, having given a long report to the meeting on the subject.

It will have a permanent secretariat based in Paris, but the full details of how it will operate are to be discussed by a foreign ministers' meeting of 30 countries in Dakar on November 5. They are to constitute what President Senghor described as "this organic community".

The Franco-African summit has been growing steadily in numbers since its formation and

it now includes a number of countries with no real French colonial past. The summit, which was created at the initiative of France, has been found increasingly useful to the African countries since it makes them part of a lobby with a powerful voice—that of France—in the world.

The most obvious outcome of the summit bore this point out. The closing communiqué said that the leaders present "called on France to continue to translate their preoccupations faithfully before the other industrialized nations and notably before its partners in the European Community, so that satisfactory solutions could be found to their problems".

These problems were many and manifest at the conference,

although they were largely of an economic nature. In consequence, most of the summit agenda had been devoted to the economic problems of the Continent, although in the end discussions tended to be dominated by the civil war in Chad.

The Organization of African Unity (OAU), which President Senghor currently leads, has already made one attempt to bring an end to the conflict. He promised that the OAU would make a further attempt to bring peace to Chad but said that if that failed then an appeal would be made to the United Nations to send in a peacekeeping force.

The OAU is also to call a meeting of the 11 different factions in Chad to try to obtain a better understanding

while troops from the Congo, Benin and Guinea are to try to impose a ceasefire under the guidance of President Giscard d'Estaing of France. Meanwhile, the United Nations and the International Red Cross are being asked to help with the refugee problem.

The overall problem of refugees in Africa was reviewed by the summit. French help was generally sought and offered to cure the continent's economic problems. Steps to reopen the North-South dialogue by the summer of next year are to be investigated and at the end of next year President Giscard d'Estaing hopes to see some move on his treasured plan to open a "trilogue" between Europe, Africa and the Arabs.

Gamble of a Basque refusing to pay up

From Harry Debelius
Madrid, May 11

A well known San Sebastián businessman staked his life on a gamble this spring to freedom from fear for his Basques.

Señor Juan Alcora, 57, old father of six, finance duelist and above all a Basque nationalist, dare defy the ETA (Basque Euzko Askatzea) when this terrorist organisation demands that he pay "revolutionary taxes" under threat of death. Now the eyes of all Spain on him, and the ETA know someone has called in the bluff.

The Marxist-Leninist, violent organisation, which continues its guerrilla against the authorities since the Basque co-ordinated home rule, is not to make idle threats.

month ETA gunmen sh leader dead for failing to their demands for cash. I are the leaders of industry commerce in the Basque r who have been crippled leaving their kneecaps shat.

In answer to a series written demands for pesetas (£125,000), in v the terrorists promised to him if he did not pay by April 22, Señor Alcora an open letter which was signed by newspapers all the country.

"I have four alternatives wrote. First, to pay up keep on living for a y Second, to negotiate, beg achieve a discount through between. Third to run a Fourth, not to pay, but to live for how long I ca say... I have decided on fourth alternative, but I also decided to make my rule public."

Denying any intention of ing to be a hero, Señor Al said in his letter: "The something in my conscience the way I am, that make prefer to do anything r than give in to a kind of e rion which is destroying land and my people."

Señor Alcora's brave as is, in a sense, a call to fr Basques to stand up and counted if political violen to end in the north of S Alone, he is a prime targ the separatist urban guer If others join him, howev grip of fear in which the holds the people may begi loosen.

The political gangster's reaction must be so even the Basque economy is depressing the econo

Right-wing group killed girl

Madrid, May 11.—An extr right-wing organization, Spanish Basque Battalion, claimed responsibility for killing last Thursday of a aged 17, near San Sebastián. It said she had been k being rounded up by the 1 (Basque Homeland and Libe informant, Señora Baria Bravo was found beaten to d in a quarry; her boyfriend, 17, was injured and is recio ing in hospital.

Two candidates left for 'Le Monde' poll

From Our Own Correspondent
Paris, May 11

Two candidates have emer from the staff of *Le Mo* for the final poll to choos editor, which is due to held at the end of this mo They are M Claude Julien, editor of the newspaper's th matic supplement, and M Al Jacob, the Peking corresp dent.

M Julien topped the s among the journalists who shareholders in the compa winning 93 of the 191 vo cast. This represents 49.3 cent, while 60 per cent required to be elected ed M Jacob obtained 59 votes, 29 per cent.

M Julien, who is 55, was front after the first meet of the journalists in Febru when he had obtained 51.2 cent of the votes, but a gr number of abstentions th made it impossible for winner. The new editor is take up the job from the e of 1982.

French fade away in finals of bridge championships

From a Bridge Correspondent
Monte Carlo, May 11

The French who had dominated the European Bridge pairs championships in all three divisions for most of the 10 days were finally outgunned in the closing stages and got only one medal, the silver, in the junior pairs championship, the least important.

Because of the fire which cancelled Friday night's play, the concluding sessions set a stern test in stamina, with 12 hours' play starting on Saturday and ending at 2 am on Sunday.

The medal winners in the Open series were: 1. Kudla-Milde (Poland) 4160; 2. Kallberg-Axelsson (Sweden) 4133; 3. Häusler-Spletzrösser (West Germany) 4121.

The Polish winners led throughout the four sessions of the final while the runners up, who were runners-up in the last European pairs championships four years ago, came through the field with a record score in the last two sessions.

The only British finalists, Mike Walsh and Tony Forrester, were in sixth place half-way through the final, and though they fell to a final seventeenth place, their performance was promising.

In the ladies' series, the medal winners were: 1. Schipper-van der Pas (Netherlands) 1539; 2. Hoogenkamp-Verbees (Netherlands) 1530; 3. Forquet-Mennella (Italy) 1524.

In the junior championship the Polish pair Gawrys and Tuszyński led throughout the qualifying rounds and the first two sessions of the final, but were overtaken in the closing stages to repeat their second place in the last European championships.

The medal winners were: 1. Dubois-Farraro (Italy) 749; 2. Gawrys, Tuszyński (Poland) 711; 3. Bellefroid-Duchon (France) 681.

The only other British finalists, Fiona Brickwood and Helen Schapiro, took seventeenth place in the ladies' championships.

Giscard interview reveals election campaign line

From Our Own Correspondent
Paris, May 11

President Giscard d'Estaing has done three quarters of the things he hoped to do when he was elected six years ago, he says in an interview published in this week's issue of the magazine, *Le Point*. These included measures to help women, pensioners and manual labourers.

The interview given to mark the anniversary of his election shows the probable lines of the next presidential campaign in a year's time. The President comes through as a man with a definite scheme for the years ahead and, even though he has not yet declared himself a

candidate for the election, the interview is clearly meant to show that he is able to be in control of France's destiny.

He says that it is a good thing that the President is given a seven-year mandate because this helps to overcome the power of the political parties. Nevertheless, the President is far from having all the powers—which is an essential factor for a democracy.

The interview has prompted M Bernard Pons, the Gaullist secretary general, to declare that the President is too modest about his achievements. "When you study the rise in unemployment and prices you realize that his modesty has broken the sound barrier."

Bretons ruin imported tomato crop

From Ian Murray
Paris, May 11

The import of all tomatoes into France is being suspended provisionally by the French Government after an incident at Dieppe on Friday night when 350 tonnes of Moroccan tomatoes were destroyed by angry Breton tomato growers.

The fruit had arrived in Dieppe the previous day and during the night the Bretons broke into the warehouse where they were stored, ripped open their packing crates and poured diesel fuel on them.

An anonymous caller in *Agence France-Presse* on behalf of the "Breton Vegetable Producers" threatened that a bridge would be blown up or a government minister, "preferably M Pierre Mchiznerie", the Agriculture Minister, would be kidnapped if anything was done to stop their protests. The caller said 3,000 tonnes of fruit would be destroyed later this week.

In leaflets dropped at the Dieppe warehouse the Bretons called for a total boycott of all "products of uncontrolled policy" coming from Morocco, Spain or Albania. Just as France was now striving for independence it would

in the future have to struggle for food independence if present policies continued.

In Montpellier yesterday, 20,000 people joined a Communist Party protest against the import of West German and into France and M Georges Marchais, the party leader, made a bitter attack on Mrs Margaret Thatcher in a speech at Auch. The British Prime Minister, he said, was playing the role of a Trojan horse within Europe for the benefit of the United States.

He attacked the French Government for failing to stop the fact that more than a million small farmers in France had to leave the land and said that the European Community had become "a war machine against our agriculture". He went on: "In this combat the President is too modest about his achievements. When you study the rise in unemployment and prices you realize that his modesty has broken the sound barrier."

At Aigueson yesterday afternoon the riot police had to make in to break up a demonstration by 300 farmers protesting at the Government's failure to win rise in agricultural prices. The demonstration was

called to coincide with a vi by M Raymond Barre the Pri Minister.

M François Guillaume, pré dent of the French farmers federation, said yesterday th it was pointless to wait for t next meeting of agricultu ministers since "the obstina of the British Government such" that nothing could expected from it.

He urged the French Government to act to compensate farmers now for their loss incomes caused by the block agricultural price rises. M Jean-Pierre Soisson, d Minister of Sport and Leasur had to abandon his plan to ta to farmers after the opening a fair in Auxerre today whe 250 of them refused to let hi speak.

In Marseilles 2,500 Roma Catholic traditionalists join an open air mass conducted b Mgr Marcel Lefebvre, the rob traditionalist leader, in hono of the festival of St Joan d Arc.

Abbé François Ducaud-Bourq drove a parallel between th fight France had against En land in the fifteenth centu and in the fight continui today.

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OVERSEAS Washington recalls ambassadors to Egypt and Israel after Palestinian autonomy talks stall

From David Cross
Washington, May 11
President Carter and his new Secretary of State, Mr. Edmund Muskie, are urgently reviewing the Palestinian autonomy talks, the State Department said today. The decision to suspend negotiations with Israel, Mr. Muskie, who was sworn to office last Thursday, has recalled ambassadors from Israel and Egypt for consultations this week. Mr. Carter's special Middle East envoy, Mr. Linowitz, returned from the Middle East last Friday, due to the President after the State Department.
The new diplomatic activity, Mr. Linowitz said, is a May 26 target date for agreement on the question of Palestinian autonomy living on the West Bank and in the Gaza Strip is fast approaching, with no sign of progress.
The reason President Carter decided to postpone negotiations indefinitely last Thursday, the next round of autonomy talks was originally due to begin in Egypt tomorrow, but Mr. Linowitz said he needed time for reflection.
The meetings here are designed to find ways of breaking a stalemate. Although the Egyptian and Israeli leaders agreed during separate talks with Mr. Carter in Washington last month, no progress has yet been made on reconciling their differences.

Iran President wavers in his choice of Premier

From Tony Allaway
Tehran, May 11
President Abolhasan Banihadr of Iran appeared to waver today in his choice of Prime Minister, a move seen as an attempt to restore his political weight.
Although an authoritative local newspaper had quoted him as saying that the Prime Minister would be named today, to such announcement had been made by this evening and other sources said it might be delayed until later in the week.
Amid indications of heavy pressure from behind the scenes from the powerful Islamic Republican Party (IRP), observers said it was possible he might make an appointment at all and wait for the first Islamic Parliament.
The IRP had been banking on using its weight in Parliament to press some of its own men into the Government. But the latest election results indicate that the party has not done as well as had been forecast and will form a minority.
Sources say a leading choice for the premiership, the moderate, Mr. Ahmad Madani, might be ruled out because of the conditions he has set for his appointment.

Weekend Libyan killings speed British decision

By David Spanier
Diplomatic Correspondent
A decision is expected in the next day or two on action against Libyans in London suspected of engaging in terrorist activities.
Lord Carrington, the Foreign Secretary, is considering as a matter of urgency what needs to be done, after the latest murders in Italy and West Germany.
While there is a difficulty in declaring persons non grata members of the Libyan People's Bureau, who may not all be accredited as diplomats, other means of ensuring their departure will be found.
The best solution, after the precedent set in Washington, would be if the Libyan authorities took steps to remove the offenders themselves, and recall them to Tripoli.
Bonn killing: A former Libyan diplomat living in West Germany was shot dead by another Libyan in the midst of Saturday shopping crowds in Bonn city centre (Patricia Clough writes). The gunman was captured by passers-by.
Police named the dead man as Mr. Omar el-Mehdawi, aged 43. He had worked in the Libyan Embassy in Bonn as a secretary for economics and finance.
Rome suspect held: Police yesterday arrested the cousin of a Libyan businessman shot dead in Rome on Saturday.
The cousin, Muhammad Fadi Kazmi, was interrogated for 18 hours by magistrates and then arrested on a warrant accusing him of complicity in the killing of Muhammad Kazmi's murder.
Mr. Kazmi was the third prominent Libyan murdered in Rome this year. Two Libyans have been killed in Britain.
Italian police believe Mr. Kazmi was the latest victim of Colonel Gaddafi's campaign against opponents and possible links with the Bonn and London killings are being sought by West German police—Reuter.

Uganda Army chief accused of attempting a coup

Continued from page 1
Other parts of Kampala were quiet. Extra troops were on guard outside the Post Office and the radio and television studios, but there were no military patrols in other areas today.
Tension had been building in Uganda for months, and President Binaisa recently blamed the wave of murders and violent crimes in Kampala on political groups that wanted to seize power unconstitutionally.
Many Ugandans have expressed fears that a military coup might be launched to restore Dr. Obote to power. Dr. Obote, who has been in exile in Tanzania since early in 1977, recently announced that he would return to Uganda later this month to lead his Uganda People's Congress.
Dr. Obote and the Congress say they will defy a ruling by the National Consultative Council that individual political parties may not stand for the elections to be held later this year.
President Binaisa says that the ban on individual parties does not bar any Ugandan—Dr. Obote included—from standing as a supporter of the ruling Uganda National Liberation Front. He says that the council's decision was taken to avoid the chaos which would result if individual parties were free to campaign.
A crucial question is how strong is Brigadier Oyite-Ojok's personal following in the Uganda Army, which has only recently taken over security duties in the Kampala area from Tanzanian troops, and whether the soldiers will enter the political arena.
Dr. Obote claims widespread support throughout the country, but this is disputed by other Ugandans.
President Binaisa has been in office for nearly a year, with no real rival for his post. But there are doubts about the loyalty he may be able to command from the army.
Mr. Dan Wadada Nabudere, the Minister of Culture, Community Development and Rehabilitation, who is secretary of the political and diplomatic commission of the Uganda National Liberation Front, said in a statement here tonight—which he said had been approved by President Binaisa—that the action of Brigadier Oyite-Ojok, supported by a section of the Front's Military Commission, was an act of rebellion and an attempt to stage a coup.
Obote denial: Dr. Obote in Dar es Salaam today denied that he had anything to do with the conflict between Uganda's military and the presidency.—UPI.

European unease at US policy overshadows Nato and EEC meetings

Moves to rally demoralized Atlantic partners

By David Spanier
Diplomatic Correspondent
This week sees an important series of meetings for the Western alliance. Defence and foreign ministers of the Nato countries meet in Brussels on Wednesday to rally the somewhat demoralized Atlantic partnership. Their aim is to show how seriously Nato views events outside the alliance.
On Thursday and Friday the twenty-fifth anniversary of the Austrian State Treaty (which has been mentioned as a possible model for a neutral Afghanistan) is celebrated in Vienna. And at the weekend EEC foreign ministers gather in Italy to put the seal on their policies towards Iran.
The greatest fanfare will sound for the first meeting of Mr. Edward Muskie, the American Secretary of State, with Mr. Gromyko, the Soviet Foreign Minister, at the four-

power ceremony in Vienna. But the most urgent business of the week is before the EEC.
The original idea was for the foreign ministers to slip away to some secluded spot to reflect at leisure on how the world was going. But the pressure of events has made this particular meeting an occasion for hard decisions; the buck stops there, so to speak.
The foreign ministers have four main issues before them. They have to decide the scope of economic sanctions against Iran and concert their policies on the next stage of an increasingly sticky struggle.
They need to coordinate their attitudes to the Olympic Games; the official view on European participation can hardly be put off any longer. The West German Olympic Committee is expected to deliver its verdict on Thursday.
The ministers ought to take

Two bandits and sheriff die in chase after hold-up

Los Angeles, May 11.—Three suspected bank robbers were arrested yesterday after a bloody battle involving guns and explosives and a 40-mile chase through mountains near here which left two of the gang and a sheriff dead.
A police helicopter was forced down during the chase after it was hit by gunfire.
Five masked gunmen held up a bank in Norco, California on Friday night just before closing time, police said. They ordered employees to lie on the ground and escaped with \$19,000 (about £8,200).
Police arrived as the bandits drove off in a stolen car, and riddled with bullets and the driver killed. The four gunmen then transferred to a lorry and with police in pursuit raced 40 miles through the mountains and wooded San Bernardino Valley.
The gunmen tried to fend off police with home-made explosives and a deputy sheriff was killed.
The wounded gunman hid on a steep and bushy hill during the night, but was rushed by police at dawn on Saturday. Three of them gave themselves up, police said. A fourth, hiding in a ravine, was spotted in the afternoon by a helicopter equipped with a body-heat detector used in the Vietnam War. He was shot after he failed to obey orders not to move.—Agence France-Press.

British climber in Statue of Liberty protest

New York, May 11.—Two men, one a Briton, Edwin Drummond, who once scaled Nelson's Column in London in a protest against apartheid, climbed halfway up the Statue of Liberty over the weekend.
They were protesting at the continued imprisonment of Elmer "Geronimo" Pratt, former Black Panther leader and were later arrested.—Reuter.

E European advisers quit Afghanistan

Delhi, May 11.—Some Soviet and Czechoslovak technical experts working on development projects in Afghanistan have returned home because of insecurity in Afghan provinces, the Press Trust of India reported today from Kabul.
Dependants of Soviet technical personnel still in the country had also been sent home, it said. Guerrillas, however, had not stopped Soviet advisers from coming into the country with troops.
Indian experts last month had taken over from Czechoslovak personnel at the Pul-i-Khumri coal mine in Baghlan province, north of Kabul, after the Czechs came under rebel fire and pulled out. Czech experts had withdrawn from two other coal mines and also left unfinished a cement project in Herat in southern Afghanistan last December.
Work on a Soviet-aided textile mill under construction at Kandahar was suspended at about the same time—Reuter.
Envoy recalled: The Japanese Government officially ordered Mr. Riichi Maeda, its ambas-

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THE ARTS

Opera on a patron saint

The murder by the Danes of Alfrege, the patron saint of Greenwich, is the subject of a new children's opera by Rory Rowley which is being presented during this year's Greenwich Festival. About 200 events are included in the festival, which runs from June 14 to June 29. Among them are the Cambridge Opera Group performing Britten's *Curtain* at the London Sinfonietta playing Walton's *Facade* and Stravinsky's *The Soldier's Tale*, and an appearance by the American actor Burt Reynolds during the festival of films which features much of his work in the cinema.

Other visitors to Greenwich include Claudio Arrau, Dame Janet Baker, Val Doonican, Billy Eckstine, Jacques Loussier and the Hungarian State Dance Company. The orchestra of the new National Centre for Orchestral Studies will give a concert under Sir Charles Groves.



The final scene

A fascinating interpretation but a curious production

Fidelio Coliseum

William Mann

Josephine Hez's long-awaited new production of Beethoven's *Fidelio* for the English National Opera at last arrived on Saturday night, to a full house and a rapturous reception. The production is a fascinating interpretation, but a curious one.

On this page last Friday, Hez and his colleague on the rostrum Mark Elder, said that they were seeking the "under-

current of bitterness" in *Fidelio*. In an article for *Opera* magazine, now reprinted in the Coliseum programme-book, Hez posed many "Questions about *Fidelio*", without giving answers, presumably since his scenic interpretation had to do all of us should not take for granted this great and far-outrage, strongly emotive opera.

Operagoers notoriously hate to think about their favourite works, performing simply to lap them up. I had no difficulty in lapping up *Fidelio*, with several lumps in the throat on the way, and I also found it a fascinating interpretation, but a curious one.

The chief merit of the staging is that Coppelia's workshop in Act II looks far prettier and more mysterious, but in the other scenes Peter Snow's famous settings, reminiscent of east European children's books, are irrelevant to the drama as Osbert Lancaster's version used to be. The plot may be fanciful, but unless you treat it seriously *Coppelia* loses half its point.

Peter Wright's reputation as a producer of the classics rests on his skill in coaching the dancers and on the intelligent recession he made of *Giselle*. His *Sleeping Beauty* was consistently thought through, although to my mind misconceived, romanticist misadventure. In *Coppelia*, which needs romance, romance is missing, and so is consistency. There is no central focus. He has responded, sometimes most perceptively, to incidents, but has just fiddled about with plot and characters, giving them no firm outline.

Also, having commendably decided to give the music more scope, he has gone about it wrong-headed. By all means add extra numbers, but do not throw away Petipa's choreography to make way for his own

score sounded sensible and sensitive, likely to mature into something admirable, when all concerned have acquired full confidence.

There were some doubts about the vocal aptitude of the principal singers, though all are ENO regulars. Josephine Barston looks perfect as the young wife in boy's disguise; she spoke her lines (very full dialogue, accurately and intelligibly) Englished by Rodney Blumer with ample feeling, giving no incitement to guffaw at stilted expression; she was superb in the rescue quartet, and lovely in "Mir ist so wunderbar", yet her voice sounded less ample than usual, scrupulously contained for a style and tonal finesse that did

not fill the auditorium. Alberto Remedios snatched at top notes, and hurried the coda of Florestan's aria, yet gave a thoroughly sympathetic account of an essentially passive heroic role. Neil Howlett filled out the villainous contours of Pizarro with humour and vitality, yet also sounded vocally stretched.

That left Dennis Wicks as an unusually individual Rocco, hearing and joyful, self-satisfied—before the last scene, he appeared in the dress circle, hanging from a step-ladder, to deliver the speech (usually omitted) in which he cynically reminds Florestan and wife that their future happiness has been assured by his own good-will, he who had just been making ready for the extermina-

tion of Florestan's husband. He is neither greedy nor simple, simply content with his complete lack of ethics. Eileen Hannan's Marzelline is delectably sung, acted with great spirit, and a touch of Paganini's very positive, John Tomlinson's Minister a kindly official milkop, nobly sung nevertheless.

Eleanor Kleiber's costumes firmly suggest the end of the eighteenth century, but Reinhold Zimmermann's virtuously permanent set poses many a problem, looking like the flat roof of a large building (a want to see so curious a *Fidelio* very often; we gain much, and it would be unfair to judge Hez's production on a later revival; it should be experienced now.

Fidelio, but not about its location. The emergence and return of the prisoners are vividly staged; but there is no garden, and the poor convicts elude by sitting all together on the flat roof.

I could go along with Hez's visual presentation of *Fidelio* until the second finale which he turned into an oratorio, extra chords at the back, raised and almost static, downstage characters lit from below a glass floor, a complete switch of approach. The stage machinery is spectacular and intriguing, but I doubt if I will want to see so curious a *Fidelio* very often; we gain much, and it would be unfair to judge Hez's production on a later revival; it should be experienced now.

Stockhausen makes it at last

Stockhausen Festival Hall

Paul Griffiths

It would be a pity to spoil a happy occasion with a review that is too negative, so let me just salute the Philharmonia for becoming, on Friday, the first of the big four London orchestras to play a piece by Stockhausen, a mere 30 years after he started his composing career. For the occasion, it was fitting that the orchestra should play a work that was a celebration and reasonable that it should be brief. *Jubilee*, written in 1977, for the one-hundred-and-twenty-fifth anniversary of the Hanover Opera, fitted the bill admirably: one might call it Stockhausen's operatic festival overture.

Like almost all his compositions of the past decade, *Jubilee* is based solidly on a melodic formula, heard at the outset as a massive hymn-like chant for brass and low strings. As the work proceeds on its grand, solemn way, the author reappears in different orchestral groups, not only on stage, but beyond: a trumpe choir sounds it as a last trump, interrupting from aloft, and at a later point, the main orchestra starts again to let us hear a quartet of oboes in the distance. For the most part, however, the music's marching minstrel is heard in textures of dense pro-

fusion, as if behind a gauze of shimmering glissandos and melodic play.

It is this mix of majestic confidence and restless activity that seems characteristic of Stockhausen's recent output. The dramatic use of space in *Jubilee* is bound to recall Berlioz and the nature of the formulae, as so often, brings the work near the harmonic world of Messiaen, but even this short piece has a breathtaking splendour that is Stockhausen's alone.

That is not to say it sounds at all like the Stockhausen of the 1950s and 60s, as the ensemble *Lesia* reminded us in their useful pre-concert of smaller pieces, ranging from the violin sonata of 1951 to the clarinet solo in *Freundschaft*, composed soon after *Jubilee*. Heard in such a context, the newer works can seem quite extraordinarily simple, and yet experience has shown repeatedly that if Stockhausen repeats his richness in one dimension, he discovers it in another. It is too soon to cry once more that Stockhausen has gone soft, even after the dismal experience of the lecture on *In Freundschaft* he gave on Thursday night.

If nothing else, this exultant performance of *Jubilee*, under Andrew Davis, effaced that memory and reminded us that Stockhausen remains a strong, vibrant force.

Elena Gilels Wignore Hall

Max Harrison

In her Saturday evening recital Elena Gilels, daughter of Emilie Gilels, showed a high level of accomplishment, but she will undoubtedly achieve more in the future. Her Fantasy K.397 had moments of sensitive characterization yet also some that were almost ponderous. The first movement of Schumann's *Kreisleriana* was impetuous but immaculate, and Miss Gilels's tone is usually warm and well nourished. This latter was a great advantage in the three slow movements, which had an apt romantic beauty.

However, in Schumann's quicker movements this particular quality of tone, which is only partly a matter of pedalling, can be disadvantageous, leading to an impression of heaviness despite the speed; also the rhythm sometimes needed a stronger sense of forward motion. With regard to these matters Prokofiev, to whom the second half of the

programme was devoted, is a good composer for Miss Gilels. First in an unfamiliar Sonatina in A minor, his lean textures, acerbic harmonies and angular rhythms all led her to lighten her tone. Also highly successful were five movements from his *Visions Fugitives*, all sharply etched, unfailingly piquant, lyrically elegant.

The best performance of the evening, though, was Prokofiev's Sonata No. 2, and as with so many Soviet pianists, it seemed as if Miss Gilels's technique was developed exactly for such music. In her hands each thematic idea and keyboard layout sounded absolutely natural, as did even the sonata's moments of pungent eccentricity. I liked, too, the way she pointed the many relationships between the first and last movements; and the motoric rhythms, while invariably relentless, never became un-musical.

For her main encore piece Miss Gilels returned to Schumann, offering a finely poised account of his *Arabeske*. Here the composer's simplicity of texture and the player's richness of tone combined to moving effect.

The Merry Wives of Windsor Aldwych

Irving Wardle

As one of the RSC's most calculatedly Warwickshire shows, Trevor Nunn's production sheds none of its tourist appeal in the move to London. No great transformations have overtaken it since last year. The casting remains virtually intact. Conker-swinging juveniles still charge over the set en route to the Evans Academy; and a town springs up in the mind's eye from John Napier's sectional assemblies of weathered timber and massive supporting beams.

Whatever happens, happens against a background of ordinary life going on as usual, as summed up in Bob Peck's Page—a pipe-smoking and immovable phlegmatic Tudor worthy. Though, as practically the first

thing we see is Falstaff's outstandingly villainous-looking retinue issuing from his door, the idea is immediately implanted that complacency can be pushed too far even in this safe little world.

Ben Kingsley's Ford thus has some justification for his suspicions, and establishes himself as a sensible man before he deluges the stage in dirty washing and runs berserk with a fowling piece.

As at Stratford, John Woodvine has settled for the view of Falstaff as a carnival dummy on the receiving end of the comedy; though he does hit back as Fat Woman of Bradford and (more dubiously) erupt into real bitterness during the final taunts.

Otherwise, the show leaves you feeling that Shakespeare never lavished so many good small parts on the same play; and that Guy Woolfenden has never given a play better musical support than with those bony folk dances.

Literature and the Arts Council

The relationship between the Arts Council and literature, always, perhaps inevitably, controversial, has recently become noisy. George Wightman reports from the front line.

The Arts Council recently held a forum at its Piccadilly headquarters to discuss its work in the field of literature. The platform consisted of Sir Roy Shaw, the Arts Council secretary-general, Melvyn Bragg, chairman of the literature advisory panel, and Charles Osborne, the controversial Arts Council literature director. Questions had to be sent to the Arts Council press office before the meeting and the platform chose to answer a selected few in a bland manner. It was a public relations exercise. Both the Minister for the Arts and Sir Roy have warned their customers that it is unwise to hit the hand that feeds them. The platform most likely expected some concrete poet as a witty barb from a sceptical journalist. Instead, Arthur Crook, a former editor of *The Times Literary Supplement*, had a complaint and a query. His complaint was that people who administer the funds of the charitable corporation should benefit from the money they distribute. In his opinion the fact that members of the literature panel award grants to organizations in which they have an interest is wrong.

Mr Crook's query was how much cash does the Arts Council donate to prizes. Charles Osborne told him that the Council gives about £15,000 to augment—existing prizes awarded by other bodies. It has topped up, for example, the Geoffrey Faber Memorial Prize, the Hawththorne Prize and the John Llewellyn Rees Memorial Prize. In a period of rapid inflation when such prizes are losing their value it is a commendable scheme. However, Mr Osborne went on to say that this year his department will be subsidizing itself to the tune of £28,500 in order to fund three national book awards. Mr Osborne was forced to explain how this bonanza which conflicts with similar prizes sponsored by industry is divided. Each book is awarded one of three prizes, one for children's literature (sic) and one for biography, is worth £7,500. And each judge is paid £2,000. It would have raised even more eyebrows if the money had been used to fund a prize for the author of a pamphlet called *An Arts Policy?* in which he argues that the only way to improve quality in the arts is to withdraw public money.

It was pointed out that the national book awards highlighted an increasing tendency on the part of the literature department to fund its own activities. For example, it has subsidized its own anthologies, and it was about to set up a publishing imprint to reissue Classics. The development of a state publishing house was bound to invite criticism. Bill McAllister, director of the ICA, added that literature department clients now deal with a body which was both player and referee. Some of the ICA's proposals had been turned down because the literature department was planning to undertake them itself.

David Machin, general secretary of the Society of Authors, wanted to know the profit made by publishers. For example, which of the literature department had subsidized, and whether or not this profit had been returned to the Arts Council. Richard Landau, an Arts Council finance officer, popped up and said he was glad to confirm that none of the

books which the literature department has subsidized had ever made a profit. Since they include such works as *First Lady of Versailles*, *Marie Antoinette*, *Whose Music? Perspectives in the Sociology of Knowledge and Art and Social Function* it is not a surprise. Criticism focused less on the literature panel and more on the literature department. Professor Graham Martin of the Queen University who is a member of the panel agreed that some of the panel's value judgments were wrong and some of its decisions were taken too hastily. He said, however, that the literature director has an excessive influence on Arts Council policy. Sir Roy claims that the literature panel finances sub-committee. And Brownjohn retorted that he understood the Arts Council was abolishing these sub-committees. He said that the literature director could seek advice from a broader circle of writers and critics. The literature director asserted that although literature only gets 1.2 per cent of the Arts Council grant-in-aid, his department could always obtain more if it needed to support a worthwhile scheme. As there were no worthwhile schemes on the table the department's budget was adequate. Indeed, he had not been able to distribute all of the current financial year's allocation. This statement did not please Robert Hewison of the Writers' Guild. The Guild had put forward a sensible proposal to establish a non-fiction register to enable literary researchers to ascertain whether or not a book on the subject on which they hoped to write was already in progress. It would save time and tears. Mr Hewison said the scheme had received only half the amount that was required.

John Willett suggested the Arts Council should fund a small warehouse which could stock slow moving serious fiction and poetry; that publishers were liable to pulp in order to cut shelving costs. Such a project was unnecessary, snapped Mr Osborne, because the Arts Council could reprint any books it felt should exist—a policy that would prove as expensive as it is daft. Another speaker thought more should be done to improve the distribution of serious literature. Mr Osborne told him that the Arts Council does not support distribution, nor should it do so. Melvyn Bragg said that the Arts Council had helped good writers produce worthwhile work, and at the same time it had contributed to the literary infrastructure of the country. There is some truth in this assertion. Nevertheless, the meeting suggested the literature department could have done a better job. It also questioned the way it did its job. Indeed, apart from an intention to expand its own empire the literature department's policy seems to be one of resolute inertia which the platform confirmed. There is only one way a positive change can be made. The Arts Council literature department needs a new broom.

George Wightman

Collector's Cal magazine

Here's what to look for in a second-hand Jaguar saloon and our road test of the classic XK 120. S.C.H. Day recalls the 1924 Grand Prix and John Sprinzel remembers his London to Sydney spin in an MG Midget. Plus super poster offer.

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Marion Tait

Staying away from the Russian circus

Mr Sidney Weighell: 'Conference has become a parody of policy making'

The absurd state to which our proceedings have sunk was amply demonstrated by last year's annual conference at Brighton. During nine three-hour sessions conference took decisions on no fewer than 56 different resolutions, constitu-

The truth is that conference has become a parody of policy-making. Even so, it is on the basis of the conference's haphazardly made decisions that the party's representatives in Parliament are required to carry out so-called party policy and are bound to find themselves roundly condemned if they find the policies are unworkable.

To remedy this unsatisfactory situation, the NUR believes that membership of the NEC's constituency party section should be restricted to authentic grassroots representatives and there-

The author is general secretary of the National Union of Railwaymen.

I wonder? The Russians will be told that the absence from the Games are inspired by the spirit of imperialists who hate Russia and all the good things it stands for. Even those few who, having external sources of information, connect this act with the Afghanistan adventure may well be puzzled. There must be people in authority who wish to be loved as well as feared. If only, because cultural and scientific contacts with the outside world can bring material advantages, and one can imagine the Krem-

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neo-Olympics
would be
a disaster'

tree-climbing." I am not sure if that decision advanced the cause of black emancipation. So with Russia. An outside threat seldom weakens a strong regime, more often fortifies it, and nobody can call the Russians a cowardly people. Let us not suppose that by boycotting the Moscow Games we shall be re-inforcing dissent; if anything we may be making it easier for the Russians to persuade their own people (not necessarily their satellites)

The liberal and intensely individualistic character of the Greek links him inevitably to the countries that have a multiparty democratic system and respect for the rule of law and the human rights. The president of the "New World" belongs to the so-called western world which rejects all forms of totalitarianism and seeks change through evolution not revolution. He added: "Only through such a process could Greece ever be made to exist from this posture."

Entry in the European Community, President Tsatsos believes, would make the impossible a reality and would give a new dimension here "technically

Greece, he said, had tacitly tolerated the uprooting of 100,000 Greeks who lived in Turkey under the protection of the Treaty of Lausanne of 1923. "I hope," the President went on, "that Turkey will, one day, accept that the Greeks were asking for nothing, that they gave up long ago the great idea of recreating the Byzantine empire, and that they no longer seek 'enosis' with Cyprus. On the contrary, Greece has every reason to wish Turkey to be prosperous."

The main opposition objections were against the presidential power to dismiss parliament if unable to produce a majority, and against the right of governments or of the president to "manifest" discord with the will of the electorate. If the president dissolved parliament he would have to hold elections within 30 days, and the president would not be re-elected.

It was rather than being an executive prerogative this was fully in accordance with the principle

President Tassatos is amused by the contradictory criticism levelled against him that as chairman of parliament's constitutional committee he concurred with the introduction of these rights, and that as president he failed to use them. He said: "Yes, it is true that I did not use these rights simply because in all the basic problems I agreed with the

This week President Constantine Tsatsos retires from the country's highest office to return to the more spiritual pursuits of the philosopher, with the satisfaction that in his long and varied career he has added one more job well done.

Mario Modiano.

the same again, even if they were repeated. Much as I admire supreme endeavour in the athletic as well as other fields of activity (without having any personal aspirations in any of them) I am not sure that the demise of the neo-Olympics would be a disaster. "Keep politics out of sport," people say: but how can you?

We all want our sides to win, and help them in various degrees. Politics, or at least socialism, is deeply rooted in the Games with all those fla-

enter for it. People in Afghanistan who have committed no crime other than defending themselves are being imprisoned, exiled and killed in their hundreds. By brandishing the British flag in Moscow we could surely be seen to be endorsing all this. Let us therefore make a *Fuss*.

Those of us fearful for our reputations as law-abiding citizens, who did not risk smuggling drinks in, were amply served. Itinerant salespeople, like ice-cream vendors in cinemas, walked through the crowds selling ice-cold mint juleps from trays slung over their necks. The mint julep is

Derby Day begins early. The first race on the card is at 11.30 and shortly after dawn the local radio station begins its reports of the immense traffic building up on the approach roads. We had gone with New York neighbours who come from Kentucky and who had put us

because of the traffic jams and the shortage of parking, the procedure is to park in a garage in the city centre and take shuttle buses to the racecourse. The crowd on the bus had clearly been celebrating when by that hour, and one was taken on the floor: an in-suspicious start.

the afternoon, which
southerners, taking a harmless
poerty with the language, call
"partying."

One of its victims was the
ward in charge of our sear-
section. An affable col-
student, who had earlier
lized by photographing us
with our juleps, had to be re-

Stephen Foster, prince of the early American ballad-writers, composed the song but our estranged friends pointed to one modern alteration. The second line, "Tis summer, the darkees 're gay", has become "Tis 't summer, the people are gay". How long before "gay" itself is superseded by something less faded?

She was the first of her sex to win the Kentucky Derby since 1915, when a filly named Regret took the honors—a feat which will be familiar to most of racing's regular viewers.

(It is tremendous fun but I will not go again next year. Instead I shall make my own nut juleps, drink them around the television set with my friends and, as we watch, tell them what it's really like.)

Michael Leanman

Michael Leapman

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The economy and world influence contract; banks seek new outlets abroad

No growth expected
this year

Although the Netherlands is still exporting as much energy as it imports, which is not a bad situation in these energy-hungry times, the bottom of the Slochteren natural gas well—which has been keeping the Dutch economy afloat, whatever the economic outlook for so long—is in sight. Some time in the 1990s it will be reached.

In the happy 1960s, so full of energy, the revenues from Slochteren were pumped without a second thought into the consumer conduits rather than into more productive structural investments.

With hindsight it is easy to say that Holland should have hoarded its energy reserves and used its revenue to re-arm industrially for the war of competition it faces on world markets. A hard currency (too hard, some argue, but to no avail) so long as it is jealously guarded by Dr. Jelle

Zijlstra, the former Prime Minister, who now presides over the Dutch Central Bank, and one of the highest wage-levels in the world are usually cited as the main culprits.

But the Netherlands diversified insufficiently into new industries to replace the traditional ones—ship-building is one of the more recent victims, which are, some speculate, others slowly but surely, losing the battle of the new international economic order.

This was against a bleak general economic background. As late as last September Mr. Frans Andriessen, at that time still the Finance Minister, in presenting the Budget to Parliament, spoke grimly enough about the expected growth rate of 2.5 per cent. Five months later, Mr. Andriessen was in a far grimmer state of mind. New calculations—incorporating the effect of the continuing drastic rise in the energy prices—revealed that the growth rate 1980 would be, at best, zero.

As a result, the purchasing power of the average Dutch wage earner, married with two children, who earns 34,000 guilders (about £7,500) a year, is going to fall by between 0.5 and 1 per cent, while the purchasing power of those with higher incomes will be dented by even more. Only those earning minimum wages will escape unscathed, although the Government has not made the same promise to those people living on social benefits, the level of which are linked to the minimum wage.

Two years ago Mr. Van Agt, the Prime Minister, and his colleagues introduced an ambitious and controversial plan, known as Blueprint 81, aimed at reducing public spending by 10,000 guilders (about £2,250) over a three-year period. But by the beginning of this year it was felt that it would be necessary to cut public spending by a further 5,000 guilders, although Mr. Andriessen resigned because he felt the figure should be at least 4,000 guilders.

Half of the cuts of 3,000 guilders will have to be found in the Budget for 1980. Another quarter will come from lower government contributions to social benefits, and the rest from reductions

in civil servants' salaries and health services, and grants to local and provincial authorities. On the brighter side it would seem that interest rates are slowly but surely starting to return to more acceptable levels, while inflation has remained within reasonable limits and is still well below two figures. Mortgage rates recently reached the unprecedented level of 12 per cent, leading to a severe slump in the housing market. Most important for the time being, The Netherlands still has its natural gas asset. What is left of it gives the economy sufficient backing to allow the country, if a really determined effort is made to keep down wage costs and public spending, to overcome its difficulties.

Conditions must be created which will allow industries to become profitable again so that new jobs can be generated. This was the Government's intention in introducing Blueprint 81: the reduction of the number of unemployed to 150,000 by 1981. In this it has failed miserably. At best, it could be said that the unemployment rate seems to be leveling off.

Idealistic policies in
restricted compass

"Foreign policy?" the young diplomat raises his eyebrows. "Surely you know as well as I do that Dutch Foreign Policy is made in Brussels these days."

Although he assures the reporter that his boss should not be taken seriously, many Dutchmen might well feel that there is some truth in it. It is the typical plight of a small nation which has decided that it is better in the long run to belong to a block of like-minded states than to try and go it alone.

Membership of a large military alliance such as NATO limits the possibilities for individual member states to design their own defence policies. The result is that opportunities for a small nation like Holland to shape its own foreign policy seem few and far between.

It used to be different. Before the Second World War, the Netherlands, still in possession of its colonies, could claim to be a power of some importance. Holland's carefully-nurtured tradition of neutrality which kept it out of the First World War left the country free to act more or less as it pleased on international levels. At best, there were informal agreements or understandings but no firm

alliances with neighbouring states.

It took the Nazi occupation of Holland in 1940 to make it clear to the Dutch that the tradition of strict neutrality did not always work. The results of this drastic rethinking came quickly: Holland became a dedicated member of the United Nations and Nato. The cold war and the loss of their colonial empire forced the Dutch to save face by pursuing a policy of Atlantic cooperation, and EEC membership was not even a matter for discussion.

But old habits die hard. While successfully following the postwar era towards European unity there are, and always will be, certain foreign policy ideals which the Dutch never seem to relinquish. The desire for European integration was almost as strong as that for Atlantic cooperation, and EEC membership was not even a matter for discussion.

One characteristic of Dutch foreign policy has long been a certain idealism. Lately, however, this idealism has been somewhat muted by the harsh realities of international affairs. The Dutch emphasis on respect for human rights and on the duty of developed nations to alleviate poverty in the Third World may seem a bit naive at times. But this attitude has probably more to do with Dutch Calvinism than with a lack of worldly wisdom.

Holland's strained relations with South Africa may serve as an example of how the Dutch practice the issue that one should be one's brother's keeper. There have always been strong links between the Dutch and the Afrikaans-speaking whites of South Africa: the languages are sufficiently similar and there are important religious ties. The Dutch feel strongly about apartheid—they take it as a personal insult that it is about the only Dutch word known all over the world. It is abhorrent to a great majority of the Dutch population that a closely-related people such as the Afrikaners still clings to this invidious system. No doubt such feelings about a not-so-clean human rights record in the former Dutch colonies also play a role.

Hence the constant pressure—in Parliament and outside—in the Dutch Government to proclaim economic sanctions against South Africa, in the form of an oil embargo.

When Dr. Chris van der Knaap, the Foreign Minister, stated in a debate in the Dutch Parliament that sanctions against South Africa would be effective only if the whole European Community were to agree to them, a majority of parliamentarians interpreted this as going back on an earlier, warmer position. A resolution was adopted telling Dr. van der Knaap to try to reach agreement with the European partners by June. Should those talks fail, Parliament is certain to call on the Government to proclaim an oil embargo together

with those nations willing to take this step.

In the case of South Africa, Parliament feels the political significance of sanctions would be almost as important as their actual effect on the South African economy.

Dutch foreign policy, in regard to the Middle East, has long been in support of Israel, a position supported by the vast majority of the Dutch population and based on sympathy with the Jewish people, and guilt feelings at having failed to speak out against the evils of Nazism. This stand led to Holland being singled out together with the United States—for an Arab embargo after the Yom Kippur war in 1973.

Only after the Middle East had more or less stabilized itself (and after it was found that the oil embargo had only marginally affected the Dutch economy) did Holland show an understanding of the Arab point of view and call attention to the Palestinian problem. However, occasional talks between prominent Palestinians and Dutch officials covering the subject of the Palestinian Liberation Organization.

Within the narrow margins of Dutch foreign policy, idealism plays a part in Dutch international relations. Solidarity with the Third World is another example: Holland, together with the Scandinavian countries, has been one of the few industrial nations to fulfil the development assistance targets set within the set period.

Such matters, Holland has to think of itself as guiding a country that, although the world order is in a state of flux, is still involved in outdated foreign policy concepts and that have not woken up to the need for a radical redistribution of economic power, a modernization of the world.

Idealism has also made Holland a quarrelsome neighbour in recent years. There has been a dramatic change from power to a more realistic attitude, although it would be unrealistic to think that Holland is about to relinquish its membership.

When the United States seemed about to stop production of the neutron bomb, church leaders finally denounced this step, denouncing this step, denouncing this step, denouncing this step.

Late last year, the Dutch Cabinet was in trouble, of the West European media range nuclear arsenal. On refusing to commit itself definitely to Nato to deploy the new weapons on Dutch territory did the right-wing Cabinet scratch through a fierce parliamentary debate. Had it not gone along with the other Nato partners without missing such a gesture the Government might well have fallen.

James Klipshu

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Four big banks in The Netherlands—ABN, Rabobank, Amro and NMB—account for between 85 per cent and 90 per cent of the total balance sheet volume of all the Dutch banks. In some quarters it is alleged that the banks operate oligopolistic market conditions because of the apparent similarity of their offerings. The claim is not quite fair. In a market where even the smallest village has at least one bank, it is not surprising that Rabobank has more than 3,000 branches at home and ABN accounts for about one-third of the bank's earnings. There are 10 offices in the United States, the last having been opened in Pittsburgh this year. The purchase last year of La Salle National Bank of Chicago for \$32m added 2,000m fl to the balance sheet total of 85,800m fl.

Nearly twice as many of the 155,000 extra staff employed last year were needed for operations abroad than were required at home—a further indication of the bank's expansive policy.

Third in size, the Amro Bank operates a dual system of representation. It has its own offices in London, Tokyo, Dubai and Singapore but operates otherwise through the European Banking Group International, giving a worldwide coverage of 10,000 banks. Prominent on the Eurocurrency market, Amro last year managed a \$100m Euro issue for Unilever and of eight guidelines issued, the bank managed one and was co-manager for another five.

Internationally, Rabobank's profile is perhaps lowest in relation to its size and importance at home. Set up in 1972 after a merger between two big cooperative banks, Rabobank encompassed 1,200 member banks at the beginning. It still has a strong agricultural base and has interests in developing agricultural business in North and South America as well as in the Third World. Last year an office was opened in Curaçao, but the bank continues to do most of its foreign business through the Unico Banking Group.

Although it is most solidly represented on the domestic market, efforts are being made to diversify. Eurocard Nederland BV, taken over recently this year for 2m fl, will give Rabobank a 30 per cent interest in the credit card business abroad, aimed with the Nederlandse Bank's intervention on behalf of the commercial banks (60 per cent) and the Nederlandse Spaarbankbond (10 per cent). The Post Office Bank has also expressed its desire to participate in this scheme. The move will also give the Dutch bank a 4 per cent interest in Eurocard International SA, which has 250,000 cardholders in Europe.

After a period of very strong expansion, fed by inflation and concentration within the industry, a period of steeper growth appears to be ahead for the Dutch banks. In the 1970s retail banking extended into all kinds of areas that had little to do with traditional banking, such as package travel and insurance.

Competition has increased at retail level and new services are being continually added to the range to attract new customers—gold accounts, foreign currency deposit accounts—while the arrival of foreign banks in Amsterdam, attracted by its increasing reputation, has added to competition, mainly at wholesale level.

Robert Schull

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Left-wing liberals expected to double their number of seats

continued from page 1

partners are expected to do rather badly because time and again they have had to bow to Christian Democratic demands.

This is not really Mr Van Agt's doing, as he seems much happier in the company of the right-wing Liberals than he did as a vice-premier and justice minister in the previous, Socialist-dominated Cabinet of Mr Joop den Uyl, now the Opposition leader.

It is because the balance of power in the Lower House is still held by a small number of dissident Christian Democratic members of Parliament who would have preferred a new coalition with the Socialists and who refused to underwrite the pact with the Liberals. Repeatedly the Cabinet as a whole has had to meet these dissidents at least halfway in order to conserve the coalition's slender majority.

The Liberals, therefore, cannot be expected to show any great enthusiasm to renew the alliance if the

expected electoral losses materialize. The biggest winner in the next elections will almost certainly be the Democrats '66. In spite of having only eight seats in the Lower House, these left-wing liberals are already far more influential than their number would indicate. This is not surprising when the opinion polls consistently indicate that they will at least double their contingent of members of Parliament next May.

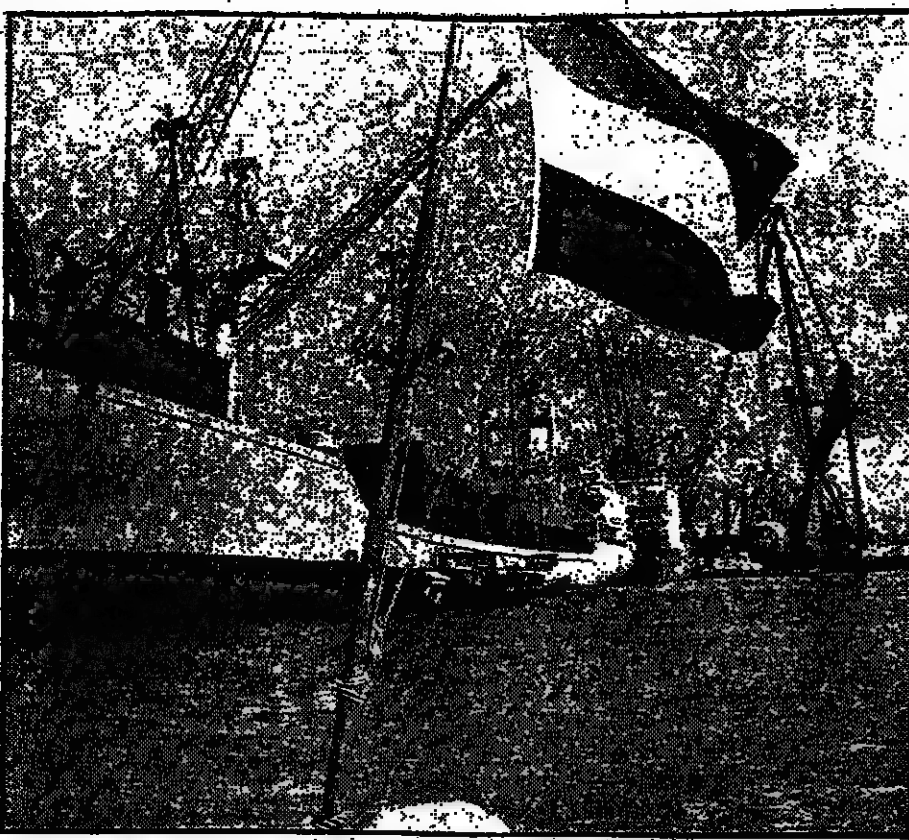
But that is not enough to give the Democrats and the Labour Party together a left-wing parliamentary majority, even assuming, which is not considered likely, that Labour will manage to hold on to its 53 seats.

This means that, politically speaking, the Dutch will be back where they were after May, 1977: trying to form a coalition between Labour and the Christian Democrats.

In 1977 Mr Den Uyl failed to return to power, in spite of the additional 10 seats he won in those elections and which were generally inter-

preted as a vote of confidence, because he overreached, refusing for instance, to take Mr Andriessen into his Cabinet because he considered him too reactionary.

The most serious consequence is that during the protracted negotiations at the time between Mr Den Uyl and Mr Van Agt personal relations between the two men were strained to the extent that, while both men are sure to be leading their parties into the coming electoral fray, the clash of their personalities may well preclude any further—even political—collaboration between them. Even without such a serious barrier there will be other, at first sight, insoluble problems, as both parties can, for instance, be expected to vie, 49 to 49 seats, or, at best, one of the parties will end up having one or two seats more than the other. Which party would then provide the Prime Minister? Or rather, will Mr Den Uyl serve under Mr Van Agt or vice versa?



A variety of cargoes being handled at Rotterdam port.

Aid for shipbuilding as demand slumps

The past four years have presented a major challenge for the Dutch shipbuilding industry. Other nations have reacted to the recession in demand with varying degrees of speed and scale in terms of the level of government support and the reduction in capacity and loss of jobs.

The Dutch Government has played a major role in the reorganization and readjustment of the industry through smoothing the process of restructuring with handsome government aid and incentives.

It was inevitable that governments the world over would have to bend to the substantial pressures and involve themselves even more closely in the activities of the shipbuilding industry against a fall in demand which is more savage than most people in the industry can recall.

At the end of last year, for example, world shipbuilding orders in hand amounted to 28,300,000 tons gross compared with a peak level of the world

order book in early 1974 which totalled a record 133,400,000 tons. Orders everywhere have shrunk and the few orders that are available are the subject of intense competition between nations.

The Dutch industry's order book contracted to a mere 114,653 tons gross representing less than one per cent of the total orders held worldwide, and much of that tonnage will be due for completion and delivery before the end of this year. Last year the Dutch yards completed 98 vessels totalling nearly 277,000 tons.

It is against that background that the Dutch Government has, over a period, sought to meet the industry's requests for assistance allied to government concern over the social consequences of major yard closures.

Much of the cash and aid which the Government has provided has gone to Rijn-Scheide-Verolme, Holland's largest shipbuilding group, which was among the world leaders in the construction of large oil tankers and bulk carriers in the heady days before the first oil crisis of 1973-74. Without the Government's support RSV would have found the strains intolerable. More than \$500m has been pumped into the shipbuilding industry and that has also involved the Dutch Government taking a 43 per cent stake in RSV.

Elsewhere in the industry's larger companies loan sharing agreements have been established. They include IHC, Holland's largest builder of specialized dredging vessels, and Vrij Stoep, the country's largest engineering group, whose diesel engine business has also taken the chill winds of the shipbuilding recession, although the increasing demand for the large tankers' turbine-powered oil tankers to diesel propulsion should lead to benefits for manufacturers of marine diesels.

At RSV shipbuilding activities are being reduced in the operation of only one large yard and a small one, and the number of jobs at

order book in early 1974 RSV has been cut by several thousand in its Dutch operations.

Last year the RSV group turned in an improved performance with its after-tax losses cut to 21.5mfl (\$10.2m) from a loss of 59.7mfl and for the first time in four years actually recorded an operating profit of 15.1mfl. The improvement reflected not only a rise in the level of ship repair work undertaken, but also the transfer of responsibility from the beginning of last year from the company to the state for losses of the yards involved in the construction of ships and large offshore structures.

But the progress, which has been made in reshaping the Dutch shipbuilding industry at considerable cost to the Government, has now been thrown into doubt as a result of the Government's decision early last month not to grant an extra 100mfl to help to establish a new shipbuilding company to construct large vessels and offshore structures.

The company consists of yards previously owned and operated by RSV which were vested in Rotterdamse Offshore en Scheepsbouw Combinatie (ROSC) which had previously been promoted by Shell. But whose mounting losses meant that a further injection of 100mfl was required. Further cuts therefore seem inevitable and the result will be that the level of Dutch shipbuilding capacity will become a shadow of its former self.

Peter Hill
Industrial Editor

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After rebellion-a smack of firm rule

Throughout the 1970s the Dutch Roman Catholic Church was used as a symbol of the crisis of renewal that had come upon the church world wide; an extreme case of rampant rebellion against tradition or a sign of a new golden age of progress and relevance.

It is a little unfortunate for Dutch Roman Catholics that they found themselves used in this way, for it meant that this relatively small and perhaps not all that significant section of Western Christianity was sooner or later bound to be singled out for exemplary treatment. And at the start of this year, that is exactly what happened: and Dutch Catholicism has given yet another symbol to the world, as ambiguous and as ubiquitous as the first. It now stands for the smack of firm rule, the Pope intervening to correct dangerous deviant tendencies; or it stands for the repression of legitimate initiative.

The truth may emerge differently and the lesson of the affair be what no one planned: of how, in spite of the good will of its members, an organization like the Roman Catholic Church can inflict immeasurable damage on itself by attempts to force or manipulate a particular line. For first the conservatives, then the progressives, or passively back now suffer from disillusionment and alienation, with no compensating advantages in sight.

Under the leadership of a small team of moderate, progressive, or passively tolerant bishops, the Roman Catholic Church in Holland embraced the new mood of the Second Vatican Council with enthusiasm, unparalleled elsewhere. There was a national conference of the church, called the Dutch Pastoral Council, which reached out towards a world in which priests could marry, discipline was at a minimum and the free spirit of inquiry and innovation could blow at will.

There was a Dutch Catechism, setting forth the essence of the faith in language which smoothed some of the sharper corners of old dogma. There were priests who married and continued their ministerial work; there

were homosexuals and women who for the first time felt the church was beginning to remove the ancient handicaps and stigma of their state or sex; there were theologians who talked about awkward questions like the Virgin Birth and the Empty Tomb. And there was a seething minority of conservatives, who hated every minute of it.

In a rather crude attempt to reverse the way things were going, the Vatican took the opportunity presented by two vacancies among the bishops to appoint men who would oppose the trend: Bishop Adrian Simonis of Rotterdam, and Bishop Jan Giesen of Roermond, the latter an outspoken voice from the right.

The effect was to stalemate the bishops rather than to reverse any trend, but it gave Rome good reason (or a sufficient excuse) to step in in the name of unity, to see if the episcopal split could be mended. But it was, it must be said, a split of the Vatican's own making—left to itself, neither of these two churchmen would have been the Dutch church's own choice.

After many patient hours of talking in the course of the unprecedented "synod of the Dutch church" earlier this year, the seven Dutch bishops emerged with a statement of future policy which they were all committed to, albeit with varying degrees of misgiving. It was backed by the Pope in person, and by the powerful apparatus of central church government in the Vatican.

This "synod of the Dutch church" brought about the end of the disunity and tension which had hindered the Dutch bishops for much of the previous decade, and was an undoubted victory for the conservative side of the argument. It was, equally, a personal victory for Pope John Paul II, and more than any other single episode, conveys a great deal about his personal style. On the one hand, he immersed himself in the detail of the arguments, taking part in a way no recent Pope has done, and clearly acting out his view of the papacy as a superintending ministry to protect dogma. There were priests who married and continued their ministerial work; there

ably shaped the outcome, the programme for the development of Dutch Catholicism towards a more traditional form.

Initial reaction among Dutch Roman Catholics, who make up some 45 per cent of the population, has not been enthusiastic. While it must be admitted that the most vocal critics of the synod were those in the vanguard of the progressive movement, there have been signs of a substantial loss of confidence in the bishops at the congregational level. This might be just as expected, in the short term, but it points to a weakening of the cohesion of Catholicism.

The Dutch experiment was a laboratory test for the theory that Christianity can best come to terms with the modern world by embracing it, absorbing many of its values and perhaps Christianizing them. In the eyes of many it was beginning to look successful, though the true test would be the test of time, and time has not been allowed. It was an experiment which alienated a minority who felt the church of their old-fashioned faith was no more.

The reversal of these progressive tendencies which the programme of the synod is clearly designed to produce, will not produce a church in which conservatives will suddenly feel at home again; but it may produce a church in which the progressives do not any longer feel at home either. This is a formula for disillusionment, leading to a retreat from organized religion into ever greater secularism.

Alternatively—and it is far too soon to say for sure—the cleavage inside the Dutch Roman Catholic Church has simply been transferred, so that the line of fissure no longer runs between the bishops separating five from two of them, but is now between all seven bishops and the flock, or at least the predominant part of it. That is a formula for internal wrangling and dissent, as the synod's programme meets resistance point by point as it is applied.

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FOR THE SAKE OF THE ALLIANCE

There cannot be many members of the House of Commons who are looking forward with great elation to today's debate on the second reading of the Iran (Temporary Powers) Bill. The Government is visibly embarrassed at having to ask its supporters to vote for this bill, but its embarrassment is not of a type which he opposition can easily exploit. Here, perhaps, is a few left-wing Labour members who will enjoy baiting the government with taunts of "Mr Carter's odious" or the like, but the parliamentary Labour Party as a whole is as aware as most conservatives of the painful dilemma in which Britain and America's other allies find themselves. In one respect the misgivings about the bill may even be deeper on the Tory side, here, there is a widespread distaste for, and disbelief in, the very notion of economic sanctions as an instrument of foreign policy. These are seen as interfering with Britain's commercial interest, and with the freedom of private businessmen to conduct their business abroad and here they see it. Experience also shows that they are seldom ever effective especially in the short term.

Yet the problem we are attempting to solve by applying sanctions to Iran is far more than a short-term one. What happens, it is most unlikely that in five years time the fifty American diplomats will still be held hostage in Iran. America as resorted to sanctions, as she attempted to resort to force, essentially because other methods were proving too slow in reducing results. The resort to force, however ill-advised on other grounds, was at least logical in that respect: if it had worked it would have worked instantly. Sanctions, by their very

nature, will not work quickly. They may even delay a solution. Sanctions will certainly not change the minds of those directly responsible for holding the hostages. Rather they will strengthen the moral certainty of those who are sincere, while playing into the hands of any who are acting from ulterior motives. That, no doubt, is understood even in Washington. The hope must be (if there is anything behind the policy beyond the mere desire to be seen by the electorate as doing something) that sanctions will strengthen the arguments of those within the Iranian government who have urged a firmer line with the hostage-holders by enabling them to point to serious damage which the country is suffering as a result of their action—damage which may eventually jeopardise the success of the revolution as a whole.

That is a real hope, but it is a slender one. The more likely effect of sanctions will be to make the arguments for a pragmatic solution to the crisis sound, in Iranian ears, like arguments for capitulation to American pressure, which is something quite unthinkable in the present climate of Iranian politics. The regime will try all other expedients to ensure its survival rather than accept capitulation. Among those expedients will be the search for scapegoats and diversions, both inside and outside Iran's frontiers, and, of course, the acceptance of support from the Soviet block. The seizure of the hostages may have been engineered, and is certainly being exploited, by people who want to push Iran along that road, preferably past the point of no return, while at the same time diverting attention from the Soviet occupation of Afghanistan. It is tragic that we in the

West should be playing so faithfully the parts assigned to us by that script.

For of course such a script, at least in its more sophisticated versions, will include scenes of bickering and mutual reproach between the Western allies, leaving a legacy of mistrust if not an actual breach in the Alliance. If that is to be avoided, we have to maintain a relationship of confidence between Europe and the United States. We have to deserve the unexpected compliment paid us by Dr Henry Kissinger: "I know of no European who believes sanctions will work, and yet they voted for the sanctions. I know of no European who knows what our policy is, yet they offered solidarity." That remark itself is evidence of awareness within America that something is wrong. The resignation of Mr Vance was also an alarm bell of a kind, and the appointment of Mr Muskie suggests a willingness to listen to the voice of reason. The time is ripe for a radical review of strategy within the Alliance. But for that to be possible we have to show that the Alliance still exists, and that—unhappily—requires that the Iran (Temporary Powers) Bill be passed.

Some moderate and influential Muslim statesmen have suggested that Europe should not gang up with America against Iran, since that obliges Muslims to gang up with Iran against Europe. Certainly such a polarization is artificial and should be avoided. Yet it may be a good thing for the Iranians to feel that in the last resort fellow-Muslims are on their side, just as it is a good thing for Americans to know that in the last resort their allies are with them. Both sides are in need of the kind of advice one can take only from a trusted friend.

A BLIND AND NEEDLESS FEAR

If the Government is wise it will soon begin the long process of consultation that would be necessary before reforming the House of Lords. A constitutional change of this magnitude ought at all possible to be the product of agreement between the parties; and even if such an agreement cannot be secured, the attempt should at least be made before taking action.

If this is too long, delayed, however, there is the risk that there may be no Upper Chamber left to reform because the Labour Party is now more firmly committed to its abolition than ever before. The sensible course, or those who believe that it is essential to preserve a two-chamber Parliament is to accept that only a House that is wholly or largely elected can have democratic legitimacy. These days and to bring this reform about before the constitutional wreckers have done their work.

Yet, as a report from our Political Editor points out on another page, the chances of this happening are dim. There are a number of reasons for this reluctance to act, but foremost among them is the belief that any acceptable scheme of reform would have to be based on

the principle of proportional representation and that if this were conceded for the Lords it would soon have to become the system for electing the Commons as well.

The first of these assumptions is correct. No reform of the House of Lords could command the necessary degree of public approval that did not provide for a chamber that would be at least predominantly elected, and there would be no point in electing the Lords on precisely the same basis as the Commons. Some form of proportional representation would therefore be the obvious answer. But the second assumption, that once one House was elected by proportional representation the other would soon have to be as well, is mistaken and pernicious.

The case for electing the House of Commons by proportional representation has been argued in these columns on a number of occasions. But that is a separate matter. Proportional representation is not a virus which once it infects one part of the body must swiftly spread to the whole. It has already been used in Northern Ireland without there after proving irresistible for the

rest of the United Kingdom. It will almost certainly have to become the system for electing British members to the European Parliament. But there can be no assurance that it will thereupon be adopted for Westminster. It is entirely logical to support proportional representation for some Parliaments or assemblies, whether or not one wishes it to be applied for the House of Commons.

The assumption is not just an illusion but a damaging illusion because it has prevented a number of sensible decisions being taken. It prevented the British members of the European Parliament being elected by proportional representation last June, which would have been more satisfactory on all counts. Devolution is now dead, for years if not for ever, but the schemes on offer to the Scots and Welsh would have carried less risk for the United Kingdom if they had provided for electing the assemblies by proportional representation. Now the fear of creating a precedent for the Commons is impeding reform of the Lords. The Government is allowing itself to be frightened by a constitutional shadow.

the top men and top woman of the Nine to set their seal of approval on some deals already carefully worked out.

Looked at now, the Luxembourg summit at the end of April stood on a shaky chance of success. A change of Italian government, combined with the untoward illness of the new Italian prime minister, meant that the diplomatic preparation had been interrupted and thrown out of joint, and that the details of the deal offered to Mr Thatcher on budget concessions and increased farm prices were ludicrously not available until the eleventh hour. The Italians, who were in charge of the agenda, had to postpone the discussion of the United Kingdom contribution to the budget until the second day—until, in fact, agricultural ministers had already deeply disagreed on farm prices, with the United Kingdom in a minority of one.

Any study of a verbatim text of what Mrs Thatcher said at the end of the Luxembourg meeting, however, must raise doubts whether Treasury and Foreign Office advice could now persuade her to settle in Venice for limits to budget contributions in exchange for the deal that would undermine British interests on farm products already in surplus, on mutton, and on fisheries.

"We both try to compromise (the is the Eight and the United Kingdom)" she said. "My colleagues in the Council had made a very definite linkage in the package, and that was one reason why the agricultural ministers were asked to put forward their proposals so we could agree on other things. Had we got a satisfactory time on the budget (that is, the duration of budgetary concessions as well as the annual amount) we should have been in great difficulty on other matters with which Britain did not agree in the agricultural council—differences on the milk surplus, the sugar surplus."

Very substantial increases were agreed by our partners, but not us. It would have increased the proportion of the budget that went to agriculture just at a time when we were moving in another direction. The proposals on sheep meat provided for intervention, export rebates, and an unsatisfactory premium and prices structure which I believe would have been extremely harmful to British interests. It was an agreement that had not been

seen by the Council of Agricultural Ministers until three days ago. These matters had not been prepared for us to agree to them.

"There was an attempt to have an agreement on fisheries. I have poured in in such a crowd and standing so closely together that one almost feared a Zaire disaster. Apart from the aisles, kept open for safety, every foot of space was jam-packed with worshipping people. It was deeply moving."

It happens that Mrs Thatcher's stand on British interests against all-round farm income increases that would raise British consumer prices on dairy products meat and bacon have won her a House of Commons and popular success that she will not now want to throw away in Venice. Nor would many members of the House of Commons look kindly on concessions to the French on fishing.

In effect Mrs Thatcher has gone on record to set sharp domestic political limits to the concessions she can make to President Giscard, especially to President Giscard, in return for a budgetary deal on the broad balance between what the United Kingdom pays into and draws from the Community. The French president and the West German chancellor, with their elections coming ever nearer, have a public to please or placate, and they grow visibly and audibly impatient for a settlement lending itself to favourable national propaganda.

That is the trouble with summit meetings as compared with diplomacy. Public stands have to be taken. Cameras, microphones and notebooks are there as a reminder to our leaders that "anything you say may be taken down and used in evidence against you." And in a time of community disarray, diplomacy with its freedom to give and take in private, have undoubted virtues.

The Venice summit meeting is now inescapable. The Grilly Palace and the Daniel hotel are booked, along with a score of others, and the Isola San Giorgio is already in the hands of the security police to make sure nothing goes amiss. But it would probably be better if the Nine's leaders stayed at home and agreed that their journey was not really necessary. Little good may come of it that diplomacy could not achieve.

Support for TUC day of action

From Mr J. Freedman

Sir, I have listed below the policy followed by the National Society of Operative Printers, Graphical and Media Personnel to help to clarify the position of members of their union within the newspaper industry about their attitude to the TUC day of action of May 14.

1. The Natsopa Executive Council did not instruct members to strike on May 14 (reports, May 8, 9 and 10).
2. All members had and continue to have the right to decide for themselves.
3. Our members were told at the start there was no question of disciplinary actions being taken.
4. The Press generally has called upon Natsopa TV to deny the ruling of Lord Denning and the Appeal Court (Law Report, May 7) whilst they will expect the Print Unions to comply—Double Standards.
5. We fully support our General Secretary and Executive Council.

I sincerely hope that this will make the position clear, Yours faithfully, J. FREEDMAN, Father of Chapel, Natsopa Night Machine Chapel, The Times Newspaper Publications, New Printing House Square, WCI. May 9.

From Mr M. G. Keegan

Sir, As the TUC, which purports to represent organized labour, is to persevere, despite warnings, with its day of action, would it not be appropriate for it to organize a day of action of its own?

By this I mean a recommendation to its constituent unions that all their members should arrive at work on time; take the prescribed lunch interval; leave only when the day's work is done and desist from wasting the time of doctors in attempting to obtain from them medical certificates entitling them on inadequate grounds to additional paid holidays.

Such a day might be a great success: possibly even habit-forming. Yours faithfully, MICHAEL G. KEEGAN, D House, Bradford College, Bar Road, Bradford, May 10.

May Day reflection

From Dr R. Lefever

Sir, I do not doubt the compassionate intentions of Lord Stewart of Fulham in his moving personal statement (May 9).

However, what he and other democratic socialists fail to see is that once they have established the machinery whereby A can demand the work of B for the benefit of C it needs only a small shove for them to be pushed aside by those who are considerably less well-meaning. Last year, for example, the May Day should be celebrated by socialists and communists alike: the difference between a welfare state and a totalitarian state is merely a matter of time.

Sincerely, ROBERT LEFEVER, 1 Malvern Court, Pelham Street, SW7. May 9.

Strong in faith

From Mrs T. M. Napier

Sir, There has been of late years a feeling that Christianity in these islands was on the decline. Last year, however, there were very different signs. First, there were the policemen in that long vigil outside Princes Gate, carrying out to the letter the injunction in the Epistle of St James for the day, "being swift, hear slow to speak, slow to wrath." Then there was the immensely heartening spectacle at Liverpool of the Roman Catholic Church listening to its laity. And at Bury St Edmunds, the great Church of England Cathedral packed to its eyebrows on a fine spring afternoon for a family service, people pouring in in such a crowd and standing so closely together that one almost feared a Zaire disaster. Apart from the aisles, kept open for safety, every foot of space was jam-packed with worshipping people. It was deeply moving.

Yours faithfully, P. NAPIER, Euston, Norfolk. May 6.

Forgotten victory?

From the Rev P. M. Doddwell

Sir, For a number of years it has astonished me that VE Day, May 8, is totally ignored in our national press, on radio and television.

On that day in 1945 the whole nation breathed a sigh of relief and offered thanksgiving to Almighty God for the cessation of hostilities in Europe.

It is right to try to forget the horrors and suffering of those years of war: but we should not cease to be grateful for our deliverance at an great a cost.

Yours faithfully, PERCY DODDWEILL, 24, R.M. (retd), 23 Saxton Road, Winchester, Hampshire. May 8.

Divided counsels

From Mr John Draper

Sir, Is there any more striking indication of the confusion that reigns in American foreign policy than the confirmation by the Secretary of State, Mr Edmund Muskie, that the United States will not support the United Kingdom and Ireland, what does that mean? a condominium over Northern Ireland: or the Irish Republic returning to Dominion status with the Queen as its head of state? De Valera's original use of this device was frankly admitted to be to coax the northern unionists into what would be (and eventually was) an Irish Republic. For exactly the same reason it was not taken in. Two other en-

LETTERS TO THE EDITOR

Lack of information about charities

From Sir Charles Kimber

Sir, I refer to the report in your issue of May 7 on the study "Present Alms—On the Corruption of Philanthropy" by Mr. Redmond Mullins, formerly of the Charities Aid Foundation. His complaint of the "alarming absence" of reliable information about charities should be supported.

Over 30 years ago the National Committee called it "fantastic" that an accessible classified records existed and although, as a result, the 1960 Charities Act compelled the Charity Commissioners to compile a register, as recently as 1975 a Select Committee of the House of Commons reported that a major difficulty of its inquiry into the accountability of the Commissioners had been the lack of reliable statistics, while a year later, and after three years inquiry, the Goodman Committee, though appointed with Home Office blessing, still produced none.

The absence of statistics is a consequence of the Charity Commissioners' policy, in evidence to the Select Committee, the Commissioners stated that there was no great demand and that they could see no use for them. During the past 15 years over 120 local authorities have been persuaded by the Commissioners to make returns of what are probably the majority of charities in the country—the tens of thousands of local charities endowed in the days of the Poor Laws to supplement parish relief. When Oxfordshire County Council, for whom review I was responsible for the Select Committee, the Commissioners that they should use the reviews to collect statistics on a standardized basis they refused point blank—and even to collect statistics at all. They have refused to make returns of what are their findings and the Goodman Committee, though it included—and one hopes not because it included—among its members a recently retired Charity Commissioner, made no attempt to do so.

The crucial importance of statistics as a basis for policy was clearly shown by the review in Oxfordshire. Though confined to charities for the poor, thus excluding the many educational, almshouse, ecclesiastical and general purpose charities, it showed that the Commissioners

picture of them as a multitude of more or less worthless little funds is quite false. The true picture is of a large majority indeed of very small value, but of a total capital sum—in this one county alone—of several millions and of a six figure income, the bulk of which is owed by a small minority of exceedingly wealthy trusts, whose fortunes have been transformed by the boom in land values and rents, but which are virtually unusable for welfare purposes since, having been founded in the days of parish relief, each charity can be used only in a single parish although by legislation they could readily and at little cost be put to greatly needed use.

Having ignored these findings the Charity Commissioners are treating these wealthy charities as if they were the weak beneficiaries of a windfall and are authorizing their trustees with very dubious legality since it strikes at the very heart of the cy pres doctrine on which donors throughout the centuries have relied—effectively to divert their funds to quite different purposes than those laid down by the original donors. In doing so, moreover, they are destroying the bulk of a fund of incalculable potential value to local voluntary welfare, while proclaiming in its evidence of the liberality with which they interpret the cy pres rule.

It is to be hoped that Mr Mullins' study and pamphlet soon to be published by the Oxford Rural Community Council will cause the Home Secretary, who recently announced that the Government saw no need for legislation, or for a change in the administrative practices of the Commissioners, to change his mind. The House of Commons' own Select Committee recommended legislation and characterized the Commissioners as a body which "failed to convey any impression of dynamism, as opposed to dedication, imagination, innovation or management efficiency." It is an opinion apparently supported by Mr Mullins and certainly by Yours faithfully, CHARLES KIMBER, Number 2, Duxford, Kintore, Walsley, Oxfordshire.

Matter of survival for British films

From Mr James Quinn

Sir, When the Cannes International Film Festival, the most important event of its kind, opens at the end of this week Britain will not be represented in the main competition. Shortly afterwards the Government's Film Bill is expected to be debated in Parliament. Is it too much to hope that members of Parliament from all parties who have the national interest at heart will take advantage of the opportunity the debate will afford to urge the Government to make effective provision for the survival of the British film industry and the achievement of a work of distinction able to stand comparison with films from Italy, or France and Germany, for example, whose governments, as Professor Stern pointed out (*The Times*, May 2), in another context, "have no doubt that a generous cultural policy (also) pays in tangible economic terms?"

In the light of the recent furore over *The Death of a Princess* even the British must surely accept that films, whether made for cinema or television, have a special significance which sets them apart from the other products which this country exports.

Australia and Canada in the English-speaking world have acknowledged this fact, and thanks to government support, Australian and Canadian films have made a marked impact in the world at large as well as at home with works of recognised national identity. It is urgent not only for those with mental disorders who are not being treated in mental hospitals, A.P. Pentonville perhaps something different, but surely not prison for immigrants before decisions are taken about their future.

Let us hope the recommendations of the May report can be implemented speedily.

Yours faithfully, IRIS M. HAYTER, Barchin House, St James's Park, Oxford. May 7.

Overcrowding of prisons

From Lady Roper

Sir, I hope there will be many letters supporting Mr Turner's views (*Times* May 6) on "deportees" denied bail. It seems uncivilised that those who came to Britain, presumably hoping for a better life, should find themselves starting in prison before their case has been heard.

Mr Turner was writing about Pentonville. Oxford Prison too has problems. It is one of the most overcrowded in the country, yet I was told by a senior official that a large proportion of its inmates ought not to be in prison at all.

What are the alternatives to prison? Here we are very grateful for the Simon Community, but we also need centres for itinerant and nomadic people, for those with mental disorders who are not being treated in mental hospitals, A.P. Pentonville perhaps something different, but surely not prison for immigrants before decisions are taken about their future.

Let us hope the recommendations of the May report can be implemented speedily.

Yours faithfully, IRIS M. HAYTER, Barchin House, St James's Park, Oxford. May 7.

British Steel's chairman

From Mr Peter A. D. Giblin

Sir, While it is not normally my practice to comment on press reports regarding the affairs of the company, I feel I must call to your attention some unfortunate remarks made by Frank Vogl, your Washington Correspondent, in Tuesday's (*May 6*) edition of *The Times*.

With reference to the role of our firm in the engagement of Mr Ian MacGregor, it should be made clear that under no circumstances does our firm accept fees from any other organization or individual other than that which has retained our services, in this case the Department of Industry. Therefore, it is misleading to indicate that we might receive payment from Lazard Frères in New York. Such would never be the case. This is contrary to our code of ethics, as written, as practised, and as accepted by our principles of competition.

I would have thought it more advantageous to comment on the obvious strengths and outstanding record of Mr MacGregor and the fine job the DOI did in negotiating down Lazard Frères' original asking price.

I would close by saying that the statement that Mr MacGregor is and should be considered a major coup for this country.

Yours sincerely, PETER A. D. GIBLIN, Senior Vice President—Europe, Russell Reynolds Associates Inc., 1 Mount Street, W1. May 8.

From Mr P. D. Francis-Smith

Sir, You have reported in your edition of May 5 that Mrs Thatcher, whilst being interviewed on "The World This Weekend", said that she had decided to select an extraordinary new chairman for BSC rather than "just another ordinary chairman".

Are we to conclude from this extraordinary statement that it is necessary to go outside this country to find such a person? Do we only have mediocrity left in this country and how long will it be before we have to seek beyond these shores for an extraordinary Prime Minister—not just another ordinary one?

Yours, etc., P. D. FRANCIS-SMITH, Brewery House, Kettering, Northants. May 6.

From His Honour Judge MacGregor

Sir, Where MacGregor sits, is the head of the table. *Scots Proverb*. Yours faithfully, JOHN MACGREGOR, Necher Gauris, Yardley Hastings, Northamptonshire.

Life under communism

From Mr R. K. Tansey-Hertz

Sir, I would like to respond to Mr Waller's letter (May 8) criticizing your leader column of May 6.

I only have direct personal knowledge of one other communist, i.e. those who are not available for whatever showing Russian Jews to suffer extreme discrimination in education, employment and religion.

I once happened to meet a Russian Jew and asked him why he left. He first began thinking of emigration when he was told by his superior that he was to be promoted above a certain level because of his religion. He openly practiced his religion rarely; the KGB went to Temple, too. He converted himself by studying English and Hebrew in secret; the study of Hebrew being forbidden. My friend was finally convinced to leave when his ten-year-old son came home from school with cigarette burns on his arms (I saw the scars, Mr Waller) administered by his classmates with teacher approval.

Upon applying for an exit visa he was fired from his job and the one-time electrical engineer could only find work as a caretaker. After many other injustices, he and his family were allowed to emigrate and they are now living in the West.

I do not mean to imply there is no discrimination on this side of the Berlin Wall. The difference is that save for South Africa, it is not a matter of government policy. Incidentally, I am not a dupe of the Western media's sensational press.

Yours faithfully, R. K. TANSEY-HERTZ, 90 Chynoweth Walk SW3.

From Mrs Elizabeth Manson-Bahr

Sir, I wonder whether Ms Diane Waller, whose defence of the Soviet system appears on your letters page today (May 8), watched Vladimir Bukovsky on television recently, which might explain in part why she is so determined to defend the Soviet system.

Disidents being forcibly moved from Moscow for the duration of the Olympic Games, but also other "anti-social" citizens such as drunks. One can imagine the howls of protest from the Western media if our own security were to use such methods to rid itself, even temporarily, of its less desirable members.

Future of N Ireland

From Mr E. Paul Baxter

Sir, The current debate in your correspondence columns as to the future government of Northern Ireland is proceeding from the sublime to the ridiculous. The repatriation of Ireland, as some have suggested, would do two things: it would encourage the IRA in their objective of totally excluding the Unionist and British people from the island; and it would serve to burden the determination of the Ulster unionists not to cede an inch more at any price.

To pay nationalists compensation to emigrate from Northern Ireland, or to pay unionists compensation if they choose to leave a reunited Ireland remains as silly an idea now as it was when Richard Crossman first put it forward in 1969. It is no more likely to work than the bankrupt policy of the South African Government.

A further red herring has been dragged into the debate with Mr O'Neill's suggestion of a new "extrajurisdictional" between the United Kingdom and Ireland. What does that mean? a condominium over Northern Ireland: or the Irish Republic returning to Dominion status with the Queen as its head of state? De Valera's original use of this device was frankly admitted to be to coax the northern unionists into what would be (and eventually was) an Irish Republic. For exactly the same reason it was not taken in. Two other en-

reprises of a similar nature also failed, namely the Council of Ireland in the original Government of Ireland Act 1920 (which never met), and the Council of Ireland established by the Northern Ireland Constitution Act, 1973.

The fate of all these initiatives shows one thing clearly—that the unionists are not going to be coerced or coaxed into a reunited Ireland, and any constitution which is seen to assist that cause will be rejected by the majority of the people of the province.

Over the last decade of violence, the IRA has continuously received solace and boosts of confidence from each decision which has rendered Northern Ireland constitutionally unstable: the fall of the Stormont Government in 1972; the granting of political status to the terrorist offenders (now revoked); the weak power-sharing Executive of 1974; and the various cease-fires negotiated with the IRA. There are only two things which will lead to that violence—a constitution showing a firm determination that Northern Ireland will remain part of the United Kingdom, and a strong security policy. A constitution which cannot be interpreted as a vehicle towards a united Ireland will show the IRA once and for all that the constitutional status of Northern Ireland is not negotiable.

Yours faithfully, E. PAUL BAXTER, 30 Kilmore Road, Coleraine, Co Londonderry.

Chrysler steps back from brink, page 19

Auditors and independence, page 18

THE TIMES

BUSINESS NEWS

China poised to join World Bank in move for modern economy

From Frank Vogl
Washington, May 11

China will become a member of the World Bank this week. It is almost certain that the board of the World Bank will vote to exclude Taiwan on Thursday and grant membership to China, which radical Chinese leaders see as the world's largest aid organization.

The number of possible recipients of World Bank loans, for example, will rise to more than 2,000 million from about 200 million.

The bank's resources are already under severe strain and China's membership could add to these difficulties. But the bank's basic capital is likely to double to \$80m (£35m) in the next 18 months.

This doubling, the bank's capital market borrowing, potential and so on, will be a strain. It is unlikely that the first loans to China will be made before 1982.

A source close to the World Bank board said: "There is no question that the Peking authorities will be keen to borrow from the bank. They see membership as an important element in their efforts to modernize rapidly their economy."

Bank officials have hardly had time to consider the full implications of Chinese membership. Negotiations leading to Thursday's vote have moved ahead swiftly.

But China, because of its population and economic potential, may become the largest single bank borrower. World Bank officials can only remark that they feel drastic changes are inevitable.

An official Peking statement last October remarked upon Chinese interest in joining the bank and the International Monetary Fund, but it was not until a couple of months ago that invitations to visit the Chinese capital were sent to the IMF and the bank.

Membership of the IMF is a precondition of World Bank

membership, but informed experts here said there can be no doubt that the Chinese are much more interested in the bank than in the IMF.

The Chinese recently joined the fund and Mr Robert McNamara, president of the World Bank, went to Peking to conduct membership negotiations.

The Chinese say they are prepared to fulfil their full obligations as bank members. This involves allowing the bank to examine thoroughly the Chinese economy, Chinese economic policy and Chinese external indebtedness. In the past, the Chinese have considered such information as secret.

At first China will have the same 2.5 per cent shareholding in the bank as Taiwan had, but the Chinese will probably strive to obtain a much stronger position, they say, well before the bank's board.

At the moment the World Bank has no China experts and it will almost certainly create a special China division. It might be some time before the bank can provide project loans to the Chinese.

The World Bank will probably send a high-level team of experts to China soon to make contacts in the various economic ministries and state planning agencies. This will probably be followed by a series of specialized sector-by-sector missions.

After that more detailed talks will probably start on the question of projects that could go ahead. Transport and power systems will probably be at the top of the agenda.

Only after detailed economic studies of China will the borrowing terms on Chinese loans be known. The Chinese may qualify for both full bank borrowing and concessional loans through the International Development Association.

Mr. William Miller, Secretary of the Treasury, said: "I think quite frankly if this country were to have the resources of Chrysler would be exhausted this month."

Congress still has two weeks to review this new decision, but it is almost certain that it will not put new obstacles in Chrysler's path.

Chrysler's path back to solvency, Mr Lee Iacocca, Chrysler's chairman, said he was delighted with the Administration's decision, and asserted that it would save 500,000 American jobs.

To convince the Administration that it can survive, the company outlined plans to cut back its size. Almost all sales will be in the North American continent, with just three model lines instead of five by 1984, and with almost its entire range of models based on four cylinder, front-wheel-drive designs.

To monitor Chrysler's affairs, Congress established a loan guarantee board composed of Mr Miller, Mr Paul Volcker, chairman of the Federal Reserve Board, and Mr Elmer Staats, comptroller general. The board met for almost seven hours in the past few days to decide whether or not to give Chrysler the loan guarantees.

The board concluded that Chrysler had been able to restructure a total of \$1,869m of debt outstanding to private lenders in the United States, Canada, Japan and Europe, in such a way that it would have savings from special credits and interest concessions amounting to \$642m over the next three years. Without these savings, the board could not have approved loan guarantees to the company.

Then the board accepted that Chrysler could raise an additional \$628m by a huge sale of assets. The company will sell property and subsidiaries in South America, together with a boat division and an Australian company. It is seen as raising at least \$250m from the sale of its car financing subsidiary, which the loan board and the Solomon Brothers banking firm believe has a book value of at least \$644m.

Another key component is the raising of cash from assorted public sector bodies apart from the United States Government.

Chrysler should be able to raise \$150m from the state of Michigan, \$32m from the state of Indiana and \$3m from the state of Delaware.

500,000 jobs saved but survival plan demands sharp cuts in car company's operations

White House approves \$1,500m Chrysler aid

From Frank Vogl
US Economics Correspondent
Washington, May 11

The Carter Administration has agreed to provide Chrysler Corporation with much needed funds.

The Administration will issue loan guarantees to the company for up to \$1,500m (£652m). The first instalment, amounting to \$500m, could be in the car manufacturer's hands within 15 days.

Congress voted at the end of last year to provide these loan guarantees to Chrysler, so long as the company could meet certain conditions. These included the raising of at least an additional \$1,450m in the private sector without government guarantees and the development of a long-term operating plan to ensure the company's survival.

The Administration believes these conditions have been met and the Government-backed loans can start flowing to Chrysler.

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Chrysler should be able to raise \$150m from the state of Michigan, \$32m from the state of Indiana and \$3m from the state of Delaware.

In addition, the Canadian government has agreed to provide \$170m in loan guarantees to Chrysler Canada, and the Ontario government will finance half the cost of a \$17m research and development programme.

The Canadian intervention is based on the hope of saving 30,000 jobs in Canada.

The loan board said that when the bank loan concessions, assets sales, Canadian and other loans are taken together with some \$342m of savings through deferrals of pension fund con-

tributions, then Chrysler should have available to it \$2,032m.

This amount, plus the Federal government loan guarantees giving a grand total of \$3,600m, is seen by the loan board as sufficient to ensure Chrysler's survival.

The loan board, however, acknowledges that many private investors are unlikely to take such a hopeful view of the company's prospects. It concluded it would not be possible for Chrysler to sell stock to the public for quite some time.

The company had 400 million in the first quarter of this year of \$448.8m, and it expects a total loss for this year of \$1,050m.

A treasury statement said that the loan board determined that Chrysler had submitted a satisfactory operating plan demonstrating the company's ability to continue operating as a going concern and to do so after 1983 without further Federal assistance.

The loan board also had no doubts that, without the loan guarantees, the car company would go bankrupt. It believed the bankruptcy would do considerable damage to the American economy, add to budget and balance of payments deficits and to unemployment and general gross national product weakness.

Survival doubts: Business Diary profile, page 19.



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Survival doubts: Business Diary profile, page 19.

British unions to lead action on cheap US chemical imports

By John Huxley

European chemical unions will this week add their weight to the growing pressure for action against cheap chemicals imported from the United States.

Union leaders meeting in Copenhagen will be asked by the British contingent to support a direct approach to the European Commission.

A group of large European chemical companies is now urging the United States to agree to the introduction of a temporary levy on petrochemical exports. It is understood that an approach is being made through CEFIC, the European council of chemical makers.

But union leaders do not believe a request for voluntary action by the United States will produce satisfactory results. They point to the long and so far fruitless attempt to persuade the United States to set on maximum fibre imports.

They also say that voluntary price restraint by American

chemical companies would conflict with anti-trust legislation.

Mr Roger Lyons, of the Association of Scientific, Technical and Managerial Staffs, said: "I think the chemical majors are deluding themselves in hoping that the Americans can be persuaded to take voluntary action on import prices."

Both the companies and the unions complain that cheap, controlled oil and gas prices are giving United States petrochemical producers an unfair advantage. Since last autumn this has been translated into a growing surge of exports to the United Kingdom and western Europe.

The British union leaders say that such products are, in effect, being dumped.

Mr Lyons said that many multinational companies were hamstrung in their attempts to force action against United States imports because they had parent companies or large-scale interests in the United States.

Engineering companies hit

By Our Industrial Staff

A further decline in civil engineering activity is forecasted in the latest industry workload survey published today.

It says that small companies are being hit hardest, and that many are being driven to the wall by the Government's insistence on fixed-price contracts.

Larger companies, however, are enjoying a slight revival in business.

The Federation of Civil Engineering Contractors (FCEC) says that one in 10 of the 231 contracting companies which participated in the survey replied that they had no civil

engineering work on their books.

The number of invitations to tender for work is falling and average contract prices are dropping. A number of replies said there was clear evidence of companies tendering at unrealistically low prices.

It is medium sized companies which have been worst hit by the decline in workload, brought about partly by cuts in spending on public construction projects.

But the FCEC notes that smaller companies are coming under increasing pressure, as those above them in the industry press downwards in search of work.

Post Office will lease equipment to businesses

By Edward Townsend

In an attempt to expand further its profitable telecommunications business, the Post Office has decided to emulate the car trade and offer leasing as an alternative to renting to its business customers.

Under a new arrangement, using finance provided by banks and other credit organizations, the Post Office is offering business customers the option of leasing telephones, fixed-price, eight-year leases for private automatic branch exchanges (PABXs) in certain categories, instead of paying an installation fee and then renting them.

The new Herald and Monarch systems will come within the scope of the scheme this year, and clearly the Post Office may expand its leasing operation if it proves successful.

The new operation, announced today, follows an agreement between the Post Office and a new company, Manxplace, which will raise the necessary finance from banks and other financial institutions and will lease the equipment to the customer.

At the expiry of the lease, the providers of the finance will sell the equipment back to the Post Office which, under the terms of the lease, will have contracted to maintain the equipment.

A Post Office official said: "As far as the customer is concerned, he will still deal with the Post Office on the supply and installation of his equipment, will be billed by the Post Office acting as an agent of Manxplace, and will receive the same Post Office maintenance service whether he rents or leases."

Advantages of the scheme are said to be that the customer will obtain the equipment on more advantageous terms with the certainty (subject only to changes in company tax rules) of fixed rentals for the eight-year period, and that the Post Office will be able to provide equipment without using its own capital and at prices that are competitive.

Mr. Richard Peterson, the talented chief economist at Continental Bank in Chicago, is not given to making alarmist predictions. But his latest commentary asserts flatly that America's recession "will be among the sharpest in the post-war period."

This prospect may lead Congress, the White House and the Federal Reserve Board to switch horses, jumping from the fight against inflation to the task of stimulating economic activity. Such a move certainly would leave the United States with simply awful inflation prospects.

Financial markets would be sent spinning downwards if inflationary decisions were to come streaming out of Washington. However, the politicians in the nation's capital now, like their predecessors in previous times of recession, look far more concerned with elections and voters than with Wall Street's state of health.

Fortunately, the voters at the moment do appear to believe, according to opinion polls, that inflation remains "domestic enemy number one". But attitudes can change rapidly. Unemployment rose last month from 6.2 per cent to 7 per cent and this could scare many people.

The Administration remains adamant that battling inflation is the President's chief economic concern. But then the official White House forecast still sees just a 1 per cent gross national product fall this year and, as Mr Carter constantly says, a "mild and short" recession.

Recession forecast underlines Presidential dilemma

US may switch economic policy

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Latest figures however show inflation moderating and the slump deepening.

I would not be the slightest bit surprised if in the next few weeks the White House changes its mind and brings its forecast closer into line with Mr. Peterson's.

The United States has suffered six post-war recessions so far, with three being quite mild and two seeing real gross national product declines of roughly 21 per cent.

By far the worst slump was the last one, running from the final quarter of 1973 to the end of the first quarter of 1975, which saw real gnp decline by 5.7 per cent. Mr Peterson does not expect the present recession to be so severe, but he and many other experts do expect the gnp fall to be several percentage points.

Continental Bank reports that a sharp drop in housing activity and car sales "assures a decline in real gnp of at least 5 per cent annual rate" during this quarter, and the prospect is for it to be only slightly lower in the third quarter.

Consumer spending is dropping sharply as inflation continues to erode real income, and unemployment is worsening dramatically, the report says.

It seems likely that business will be forced to reduce production through most of the year, and this will have a deflating effect on capital spending.

As the recession news piles up in coming months, so President Carter may devote more of his time to devising a

Government set for £750m rise in British Steel borrowing limit

By Peter Hill
Industrial Editor

The Government will introduce legislation later this week to increase the British Steel Corporation's borrowing ceiling to £5,500m.

This will represent the first move towards the eventual reconstruction of the steel industry since the 1974-75 financial year.

A limit of £4,750m was set two years ago and provision was made in the original legislation for the ceiling to be increased to £5,500m subject to an affirmative resolution by Parliament. This approval will be sought on Thursday night after the adjournment debate on the appointment of Mr Ian MacGregor, the American bank of Lazard Freres, to the board of the BSC.

BSC officials are still busy assessing the damage caused by

the 13-week strike earlier this year which pushed the corporation's losses for last year to around £450m.

BSC is still bound by a government cash limit for this financial year of £450m and a requirement to break even by the end of the year. But in discussions with the corporation, ministers have agreed that BSC should be allowed to carry over £150m from last year's external financing requirement in order to meet bills which went unpaid because of strike action by clerical workers.

Sir Keith Joseph, the Industry Secretary, will come under tough questioning from MPs over the terms surrounding the appointment of Mr MacGregor, formerly a senior partner in the American bank of Lazard Freres. The bank stands to receive payments of up to £1.8m subject to BSC achieving certain performance targets during the three-year period of his appointment.

Over the next few weeks it is expected that the precise terms of the performance criteria will be agreed. Meanwhile, speculation continues over the future of Mr Robert Scholey, the present chief executive of the BSC and a deputy chairman.

Within the corporation speculation is growing that Mr MacGregor will combine the functions of chairman and chief executive when he takes over in July. Appointment of the BSC's chief executive is a matter for the board of the corporation although appointments of deputy chairmen are made by the Industry Secretary.

Lay-offs feared at American plants

By Peter Hill

Major American steel companies will decide within the next two weeks whether to shut down capacity and implement widespread lay-offs because of poor levels of demand.

Steelmakers experienced a sharp drop in orders during March, although to some extent this arose from consuming industries, running down their stocks and there is some hope that companies will begin to build up their stocks of steel again.

But if the expected upturn fails to materialise, it is clear that some of the major United States steel companies are prepared to cut back extensively.

US Steel, the country's largest steel producer, has already shut down two of its six blast furnaces at its major site near Chicago and 3,000 workers will be laid off. About 2,000 workers have already been affected by short-time working and temporary lay-offs.

Mr David Roderick, chairman of US Steel, has said that the company expects a drop in demand to continue for some months.

United States steel production has been declining in recent weeks. Capacity utilisation has also been falling back and last week it was estimated at about 81.5 per cent compared with 88 per cent early in April.

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Bank	buys	sells	Bank	buys	sells
Australia	2.09	2.02	Norway	11.62	11.50
Austria	30.55	28.80	Portugal	113.00	107.00
Belgium	76.00	66.50	South Africa	2.10	1.96
Canada	7.71	7.64	Spain	164.00	157.00
Denmark	13.35	12.70	Sweden	9.55	9.35
Finland	8.80	8.40	Switzerland	3.27	3.27
France	9.86	9.46	US	4.36	4.36
Germany DM	98.00	93.00	Yugoslavia	50.50	47.50
Greece Dr	11.40	10.35			
Hongkong	1.14	1.10			
Ireland P	1.14	1.10			
Italy Lit	1985.00	1880.00			
Japan Yen	355.00	330.00			
Netherlands Gld	4.71	4.48			

Bank rates for small denominations, bank rates only, quoted by Reuters. Bank rates apply to all currencies. Different rates apply to all foreign currencies.

MANAGEMENT

What price independence for the auditor?

Mr MacGregor's fee in a transatlantic context

One of the slogans which has spurred the leaders of the accountancy profession into action in the past decade has been the call for the independence of the auditor. The auditor, it is said, must not only be free from any interest which might detract from his objectivity.

This, of course, represents a marked change of emphasis since earlier this century, when the auditor was often required to show his commitment by holding shares in his client companies. But times have changed. It is generally accepted today that independence is more important than commitment.

The controversy, which still rumbles on in the 1980s, centres on what particular steps are needed to achieve and to demonstrate independence. Is it necessary to impose a system of detailed rules which may restrict personal freedom and involve extra costs of administration, or is this something which can be left to the judgment of each individual practitioner?

The Institute's statement on independence says succinctly "professional independence is a concept fundamental to the accountancy profession. It is essentially an attitude of mind characterised by integrity, and as objective approach to professional work."

In presenting his report, the accountant must, on doing what he believes to be right and on saying what he believes to be true, even if this may be contrary to the wishes or the interests of others. It is for this integrity, perhaps more than any other quality, that the whole world looks to him. He must guard it firmly and impart it faithfully to the students who train with him. It is argued that he must

also avoid situations in which his will to resist such pressures might be weakened by some personal conflict of interest. He should not, for example, hold shares in the client company. He should never accept personal gifts or favours from clients. Nor should he become over-friendly with directors or senior employees.

But how far should these restrictions be carried? It is at this point that the profession is deeply divided—perhaps more deeply than it cares to admit.

Some would favour a detailed rule-book setting out a list of prohibited relationships. "You shall not hold shares in any client company, nor in any company associated with it, neither thou nor thy partner nor thy partner's wife and children, nor any partner in any firm's offices," from John O'Grimes to Timbucuu.

Some of the big firms already go further than this, and in their own rules forbid all members of their staff—not just those engaged on the audit, but all those in client companies. Nor only shareholdings in the firm's own companies are banned, but also holdings in parent companies where the firm audits even a small subsidiary or associated company.

In a large firm with many large audits such rules represent a significant restriction of the individual's personal freedom to invest. It also means a considerable administrative task in keeping the list of banned companies continuously up to date for all its various offices, and the cost of this exercise indirectly puts up the cost to the firm's clients.

Because of their expertise in finance and tax, accountants are often invited to become executives or trustees, and this again raises questions of prohibited shareholdings. Could the independence of an audit partner perhaps be impaired if one of his partners in the firm's trust department were trustee of a fund which held shares in the client company? If so, where would the firm's duty lie? Should it withdraw

from the audit, or ask the partner to resign his trusteeship?

But a trustee partner, too, has his responsibilities to fulfil to the beneficiaries and to the client who appointed him, who perhaps is now no longer alive. Earlier proposals to ban all trustee shareholdings in audit client companies have now been modified to apply only to larger holdings, but even so this rule may still cause some accountants to withdraw from a field in which the accountant's expertise has hitherto always been valued.

Not all members of the profession are in favour of this approach to independence. Others—and I like to believe that they are a large, silent majority—feel that the rule-makers have perhaps gone too far. Restrictions of this kind can strike at many normal healthy relationships, which are extremely unlikely to have any bearing at all on the attitude of the audit partner to his decisions.

Where is the evidence that any of the causes which have rocked the financial world in recent years have been the result of the auditor having a direct or indirect personal interest in the client company?

Most worrying perhaps is the apparent loss of confidence implied by this thrust for protective rules. Where is the rugged character of bygone days who was happy to give his opinions and decisions without fear or favour, and to do battle with any who had the temerity to question his integrity?

In fact, despite the occasional isolated and much-publicised lapse, standards of integrity and objectivity in the accountancy profession are probably higher today than they have ever been. It would be good to see the leaders of the profession taking their stand on this, and facing up to public opinion instead of retreating to the illusory protection of a home-spun web of rules.

David Arthur

The author is a partner in the accountancy firm Thomson McLintock.

After the furore caused by Sir Keith Joseph's decision to pay what amounts to a transfer fee of between £65,000 and £125,000 to Lazard Frères in return for the services at Bristol of the late Sir John MacGregor, it is worth taking a closer look at top United States chief executives' salaries.

One conclusion is that the Lazard Frères deal looks marginally less outrageous in America than it does here.

(As chairman of the BSC Mr MacGregor will earn £48,500 a year before tax. He will also receive his share of Lazard Frères profits as a "non active" partner, and "emolument" as a director of the United States company, group Aniaz. He is, of course, not alone in having more than one directorship—businessmen have long found that multiple board posts, and even chairmanships, are lucrative, and often rather less demanding than the headship of the ailing BSC has proved to date.)

But if Mr MacGregor were becoming chief executive of United States firm Metro-Goldwyn-Mayer, he would be taking home \$5.06m (£2.22m) in total gross emolument—and be the highest paid chief executive in America. (Much of that sum comes from items like stock appreciation rights). United States top executives' salaries are expected to rise to an average of 9 per cent in 1980, and some will grow faster than that.

Even by the standards of British industry, Mr MacGregor's remuneration from the BSC will be modest. A recent survey of salaries by Keyser, Ullman shows that of three of them could be running at over £1m a year. The chairman of the top five British companies in *The Times* 1000 between them received over £500,000 in 1979, with ICI's chairman taking £124,380.

Among the heads of nationalised industries, Sir Michael Edwards of BL leads the field with £57,200. There is talk at BL that the rate for the joint position of chairman and chief

Top five UK companies by turnover

	1979	1977
BP	120,385	96,502
Shell T and T	110,915	103,090
British Inds	78,783	69,686
ICI	124,380	95,363
Unilever	70,490	56,000

Highest paying US corporations

	Chief executive's salary
Metro-Goldwyn-Mayer	5,083
Mobil	4,313
McGraw-Hill	2,635
Revlon	2,358
Hughes Tool	2,124

Source: *Business Week*

executive should be nearer £100,000. However, not all United States chiefs are paid as highly as MGM's Mr Rosenfeld. The United States magazine *Business Week*, in its latest annual survey of executive compensation, shows the head of America's biggest group, Exxon (\$84,400m sales), takes home a mere \$1,080,000 (£474,000) before tax. He is still well in front of Sir David Steel, who earned £120,385 last year.

But if you are an underpaid British director, resist the temptation to uproot yourself and rush to a top job in the United States. Mr Lee A. Iacocca, president of the troubled Chrysler Corporation, laid hands on only \$266,000 of a \$360,000 salary in 1979, and under Chrysler's present scheme to cut back executive salaries last year he was paid a year for the next two years.

He does, however, have \$1.5m (£653,328) in compensation for having left the Ford Motor Company. That is much less than Lazard Frères may eventually share out among its partners in return for supporting their 68-year-old Mr MacGregor to the buffers of British industry.

Catherine Gunn

LETTERS TO THE EDITOR

'Big boys' who do not pay up

From Mr G. F. Williams
Sir, During the past few years I have met socially two senior finance personnel, each from a large public company, whose chairmen are well-known public figures and knights. I asked each of them why their company did not pay its bills on time.

The first replied that for each month that they delayed paying creditors the company saved several million pounds in interest charges. He also recounted with amusement that the chairman's chauffeur had recently approached him with a request for several hundred pounds cash, because the local garage had not only refused to fill the Rolls-Royce with petrol, but had also impounded the keys, as the account was many months overdue.

The second offered the same excuse and added that his accounts section had instructions to pay no bills whatever until the creditor served a writ. I can vouch for the truth of this story, because an acquaintance, a mine recycler, became a regular sub-contractor for this company. He told me that six months' worth of accounts were outstanding, so I

repeated the above to him. He issued writs and was paid by return of post. It has not affected his ability to get work from the company. So, whenever he tends he adds £50 to the estimated cost, then whenever the company is invoiced, a copy is sent to his solicitors, who automatically issue a writ on the twenty-eighth day. He then receives the money, less about £50 legal and court costs, within a few days.

What a crazy way to be forced to do business.

G. F. WILLIAMS, Union House, 21 Victoria Street, Liverpool, L1 6BD.

From Mr Gordon Cook
Sir, I have read Mr T. H. Fleming's letter (April 28) with sympathy. I suspect that the problems caused by the "big boys" failure to promptly pay, undermine many a smaller enterprise in all sectors of our society. We are involved with church and charity in a number of localised community enterprises involving often quite extensive building works. Here we find a different kind of "big body" the grant aid authority. For such projects to materialise, financial aid is

essential. Applications require a high level of professional involvement, this commonly being provided by small local firms who are happy to be identified with the project. The rub lies in the long drawn-out procedures, professional charges tending to remain largely unmet until the grant is finally given. In recent examples this had set up £34,000, an amount that attracts £600 per month loss charges.

This burden is compounded if the "big boy" withdraws the grant at the last moment, leaving the church or charity to meet the costs from its own resources. In extreme cases working in deprived areas (where the risk appears to be greatest) we have found that the charity cannot meet such charges from available funds. I accept that this is rather different from Mr Fleming's situation. Nevertheless, it is a fair parallel, as the charitable field encourages growth when there is little, a very definite contribution to the economy. GORDON COOK, Chairman of Trustees, The Churches' Community Development Consultancy, 17 Scots Lane, Shortlands, Bromley BR2 0LL.

British Patent Office

From the President of the Chartered Institute of Patent Agents

Sir, The British Patent Office provides a service to inventors, industry and commerce by the grant of patents for inventions and the registration of trade marks and design. Inventors, industry and commerce pay heavy fees for these services. Each year for a number of years, the fees have been such that profits have arisen and these profits have been seized as government revenue by the Treasury.

This treatment of the British Patent Office in marked contrast with that accorded to the European Patent Office. Her

Majesty's Government has supported the establishment in Munich of this commercially run European Patent Office funded on a 30-year term basis with an advance of £1m or more.

It is strongly urged that the British Patent Office, which is the first resort of British inventors, industry and commerce, be accorded no less generous treatment than the European Patent Office, a very small proportion of whose users are British.

RICHARD C. PETERSEN, President, The Chartered Institute of Patent Agents, High Holborn, London WC1V.

Fair play for car parkers

From Miss Kathleen Rowland

Sir, Many house-owners in congested areas have sacrificed their front gardens and paid the local council to construct run-ins, thereby relieving pressure on road side parking. For this, I consider, they deserve council support by having double yellow lines drawn across our front gardens ("Fair play for car parkers", April 25).

When I raised this at a meeting of the Pembroke Association here, I was told that the Royal Borough of Kensington and Chelsea would not offer any such assistance.

What I have done, therefore, in self-protection against the driver denying me my right to the necessary access from road to port has been to telephone the police and/or traffic wardens. Both have been understanding and cooperative, but one hesitates to call on them unless absolutely necessary, the police in particular as they are under such pressure in crime detection.

However, when a car has been removed away from a cost now approaching £40 to the offender, with a delay up to 48 hours in recovering the car that same person has not infringed my liberties again. Nor have the drivers receiving parking tickets been pleased, even when the fine has gone down on their business expenses.

I can understand the frustration that led to the marmalade-smearing incident, but I am puzzled that Mr Samuels appears to be, in his sympathies at least, on the side of the original offender rather than the car-park victim.

Yours faithfully, KATHLEEN ROWLAND, 11 Chestnut Villas, London W11 3EE.

What matters is where business stands in the competitive world in which it has to live and the resources available to it to cope with them. EDWARD JAMES, Deputy Director-General, Confederation of British Industry, 21 Tothill Street, London SW1H 9LP.

Territorial claims in the N Sea

From Dr Frank Hansford-Miller

Sir, Nicholas Hirst (May 7) draws attention to the growing importance of natural gas as a source of energy and stresses the importance for the United Kingdom in bringing forward new fields.

Such new fields would hardly be necessary if our negotiators of the United Kingdom-Norwegian boundary line on the continental shelf in the North Sea had insisted on full United Kingdom rights. At present this line is drawn midway between the United Kingdom and Norwegian coastlines but, in fact the shallow continental shelf, from which the gas is raised, and the oil, sea-north-right across the North Sea. Close to the Norwegian coast lies the Norwegian Deep, with waters of oceanic depth.

The presence of the Norwegian Deep changes the situation so far as accepted law related to the continental shelf is concerned. The Norwegian Deep should extend only from her coastline to the deep waters and conversely the United Kingdom oil and gas zone should extend eastwards from the coasts of England and Scotland all the way across the continental shelf to the Norwegian Deep. The median line currently used was falsely drawn by the United Kingdom and Norwegian negotiators and in my view should have been accepted by the United Kingdom Government.

One of the richest gas, and oil fields and reserves in the North Sea lie just east of the

current median line and are thus in the Norwegian zone. These include the Stratford and Frigg gas fields, mentioned by Mr Hirst, and also the Ekofisk oil field, whose oil piped significantly not to Norway, because of the difficulties of the Norwegian Deep but to North-east England.

Current United Kingdom supplies of both gas and oil would be greatly multiplied if our negotiators had insisted on our full rights in the North Sea, and the highly generous agreement that was made with Norway, the great sacrifice of our national interests. So much so that I believe it should be considered by Mr Thatcher and the Cabinet with a view to renegotiation.

FRANK HANSFORD-MILLER, 76, Lock Chase, London SE3 9HA.

Entrepreneurial route to the drain clearing business

Thanks to the popularity of test-tubes, we now throw fewer test-tubes down our drains. But in about every other respect both households and industry have in the last few years been increasingly abusing their drains.

That is, however, only one reason why Dyno-Rod, market leader in the £60m-a-year drain cleaning sector, has gone from a 1973 turnover of £12m to £93m this year—and collected, while franchising for fast growth, some knotty management problems.

What worries Dyno-Rod—one of the franchise creations of Mr John Zockoll, who at 50 still spends much of his life as a commercial airline pilot—is turning out to be a franchising paradox.

A cornerstone of franchising philosophy has been the link between the entrepreneurial small businessman and the marketing expertise of a nationally known organization. But those owner-managers that are best fitted to produce growth in the early phase of franchise development do not usually take kindly to the role of being managers of the larger companies' needed when franchises grow big and successful.

Mr Michael Way, the expanding man who is Dyno-Rod's managing director, says that for Dyno-Rod itself the heady early days when it was possible to deliver instant, subjective solutions are over. Cool, longer-term planning has taken over.

His plan for 1985 is an annual turnover of £40m (or £24m as inflation). That means finding 20 per cent annual growth in



Mr Michael Way of Dyno-Rod: some knotty management problems.

the next five years from 55 service-centres of which 45 are franchised with the remainder Dyno-Rod owned. Dyno-Rod's 300 vans, operating a round-the-clock service, cope with around 300,000 jobs a year, about half from households and the rest from industry. Industry accounts for three quarters of turnover and this is still where most growth could be. Mr Way thinks the sector could be worth £150m a year if industry could be persuaded to invest in preventative maintenance programmes.

In some industries an improvement in drain flow is critical for higher production; and this, Dyno-Rod argues, is

where preventative maintenance procedures can pay off. Mr Way says: "The truth is that nobody seems to think things like drains capacity until there is an urgent problem."

"In the Dyno-Rod development plan, Mr Way now has overseas expansion—tried already in Germany and Belgium, but with limited success—scheduled for 1981.

He believes the management route to be chosen next time may well be joint ventures between franchisees and Dyno-Rod, with a Dyno-Rod director on each board. This one method, being tried with an Aberdeen franchise as a response to the problem of fran-

chises moving beyond the initial growth phase is suited to the typical owner-manager.

Four Dyno-Rod franchisees now have businesses with a £500,000 turnover, and a dozen others are over the £250,000 mark. By 1985 turnover of three of them could be running at over £1m. Mr Way says that owner-managers have the great virtue of drive and enthusiasm; but it is possible for their ambition levels to become over-inflated.

"They have to become managers instead of staying at the coalface. They have to realize that what motivated them has now got to go down

the line. But this sort of person can be over-possessive."

Dyno-Rod's own management woke up four years ago when there was opposition to the idea of introducing the use of credit cards to the need for greater participation with franchisees. Mr Way says Dyno-Rod now has "better participation, especially by way of five policy making groups, than many other franchising operations; but we should have reacted earlier."

"There were franchisees' federation which allowed everybody to let off steam, but it did not get down to the grass roots of policy and that is what is important. In our company-owned operations such engineer now has his say—and that has started solving some problems which management mistakenly thought it had got right."

Dyno-Rod's experiments in maintaining enthusiasm down the line and improving management structures have thrown up other possible approaches. A Birmingham area franchisee hired a manager to help; and profit sharing is a possibility for the company-owned operations.

Some franchisees, when the business has grown too big for their one-man style, have sold off part of their operation and kept a small geographical sector.

Mr Way's formula is for Dyno-Rod main management to lead and guide rather than to order. This would apply with joint ventures too, where a 40 per cent stake by Dyno-Rod may be the benchmark.

Derek Harris

Bristol battles against a deficit

CHECKLIST

Royal Assent given last week, inter alia, to the following bills:

Companies (Insurance Companies) (Amendment) Bill and British Aerospace.

Finance Bill read a second time in the House of Commons.

Employment Bill read a third time in the House of Commons.

Land Drainage (Amendment) Bill (to help deal with flooding): read for the first time in the House of Commons.

United States prime rates cut by leading banks in the United States to 17 per cent last week.

Export Finance: Cecil Parkinson, trade minister, told Parliament last week that mandatory financing of large United Kingdom export contracts in foreign currency would no longer be required by ECGD.

Lee v Nottingham County Council: Court of Appeal ruled that, where an employee's fixed term contract was not renewed at the expiry of the term, the employee is deemed to be dismissed by virtue of section 31(1)(b) of the Redundancy Payments Act 1965, and that a redundancy arises within the meaning of section 1(2)(b). It does not matter that the employee knew that a redundancy would or could arise.

Factory prices rose by 1.4 per cent in April, keeping annual rate of increase in wholesale prices at 3.9 per cent.

Credit transferred to or withdrawn from 31 credit traders by Office of Fair Trading in past six months. Under tougher policy another 45 applicants warned of danger of losing licences.

Mr Stanley Turner, general manager of the Port of Bristol is more concerned than most dock directors by the present high interest rates. For every 1 per cent shift in the rates the cost of servicing the port's financial deficit can move £500,000 in a year.

Over the 12 months to the end of March last year the most recent financial year for which figures are available—the city council owned port had a net deficit of £5.76m. Surpluses at the older Avonmouth and Portishead docks were offset by a £6.1m loss at the new Royal Portbury Dock.

With no government aid available for the area the new £40m dock had to be financed at commercial rates. In the 1978-79 financial year half the net deficit was found by the port authority and the rest came out of the city's rate fund.

There seems little chance that the bill will be less for the financial year just ended because, in common with other United Kingdom ports, Bristol experienced what Mr Turner describes as "comparatively quiet trade" during the latter three-quarters of 1979.

On the other hand, the first quarter of this year has been much busier, certainly with better results than the comparable quarter of 1979.

Naturally there are critics of the rates levied by the city to keep the docks in business and some 5,000 employed. But apart from the fact that the city council is fully committed to the docks expansion, the port is

making progress on several fronts.

The Royal Portbury Dock, in its third year of operation, has recovered from the early blow of losing Toyota, the Japanese car manufacturer, as a customer. Two out of six berths are operating at the dock, one of them dealing with containers and the other forestry products.

Industry in the regions

There have always been rumours that the Bristol docks, where some 1,000 acres of land is available for development, might benefit as a service point for oil companies drilling for oil in the Celtic Sea. But Milford Haven and Falmouth are much more likely to get the business.

There are worries that if a Severn barrage, downstream of the port, ever became a reality there would be problems with tidal levels. But Mr Turner's attention is more taken by the immediate problems of beefing up trade in the port to overcome the financial deficits.

Getting back to profit will depend not only on world-wide moving-out of recession but on bringing the Royal Portbury's other four berths into operation.

Forestry products were up nearly 3 per cent last year to nearly 4.6m tonnes; wood pulp showed a faster rate of expansion. The growth has justified new Elm under-cover facilities and another 40 acres has been paved to cope with road trailer traffic. Forest products traffic is expected to double within 18 months.

Garoner, an Anglo-French group, has come along with another shot in the arm for the port with a £25m scheme

for a regional road and rail freight complex covering 77 acres, which fully developed would give the port a planning permission has been granted and the first phase of the project should be operating later this year.

An independent terminal for British Rail's fast freight Speedlink train service is also being developed at the port.

A freightliner terminal at Portbury, catering for containers transferring to the rail system, is also at the planning stage. If the scheme goes ahead the port authority should be able to qualify for a government grant towards capital costs.

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Derek Harris

BRUNTONS

GOLD WORKED STEELS • Wire • Drawn Sections • Strip • STEEL WIRE ROPES

"ELEVENTH successive advance in dividends"

reports Mr A S Wood, Chairman

Comparative figures	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Net total dividends (£000's)	202	239	265	306	352	386	427	456	502	565	630	688
Dividends per share	2.52p	2.98p	3.31p	3.83p	4.40p	4.82p	5.34p	5.70p	6.27p	7.06p	7.88p	8.60p

*Net figures as adjusted for Scrip Issue in 1974.

Year 1979
The low demand for the steel products of the Company continued throughout the year and the output was affected by the road haulage strike at the beginning of the year and by the engineers' strike in the Autumn.

The reduction in the volume of sales was 11%.

Prospects for 1980
Throughout the thirteen weeks of the steel strike there was uninterrupted production and volume output was 13.1% higher than in the same period of 1979 which had been affected by the road haulage strike, and I am not pessimistic about the fortunes of the Company in the current year, despite the lack of signs for U.K. steel processors of any upturn in demand.

The annual general meeting will be held on 29th May, 1980. Copies of the full report can be obtained from The Secretary, Bruntons (Musselburgh) Ltd., Musselburgh EH21 7UG, Scotland.

BY THE FINANCIAL EDITOR

British Airways on the slipway

British Airways have started work on the long form required for the flotation of the airline. Meanwhile, the Civil Aviation Bill is scheduled to become law this year.

Both events, combined with Mr John Latham's enthusiasm for the scheme, point to a flotation in September, 1981, a date viewed as the earliest possible by a substantial body of opinion within BA.

That date should also mean BA will come to market with a reasonable year's trading immediately behind it, since it is clear that the latest figures, to be announced in July, will show little better than break-even position following last year's £90.4m pre-tax profit, and will represent a particularly painful outcome after earlier forecasts of £120m.

It is precisely this unenvying unpredictability in this case almost entirely due to the fact that the airline is a stumbling block to a successful flotation. Since 1970 BA has seen its pre-interest return on assets fall between 1 per cent and 20.7 per cent. That is not the kind of performance likely to attract the necessary institutional investor support.

But institutional support is essential in a flotation of the size involved. Mr Nott's idea that 45 per cent of the equity should be held by the public, with the balance held by the Government, is a bold move. Assuming a discount to net asset value of perhaps 30 per cent, not excessive in view of the current ratings of Pan American and TWA, this means that over £300m will have to be raised.

Two possible institutional bidders remain: the Government, which has a partial right to the 100 per cent of the company, and the company itself, which currently only serves a small part of the total market. The latter, of course, is a package of equity, preference and convertible so that a fixed income element would offset the risk in the equity.

In reality the second seems to fudge the issue and to work against BA's stated desire for a successful flotation as it would represent such a hybrid form of issue. The first, however, seems more realistic but ultimately would only be a partial solution to the problem.

There are significant operational difficulties that would be created by a flotation in the form of a public issue. The main one is the cost of money. BA currently enjoys a "Triple A" credit rating in the New York market, but the single A of Pan Am and TWA, a semi-independent foreign borrower, is a more realistic measure of the cost of borrowing. BA's cost of borrowing is lower than that of Pan Am and TWA, but it is not by much. Given the constraints which appear to be necessary for a flotation and the financial problems it would create for the airline, it is difficult at this stage to see any convincing justification for going ahead.

Electronic components

Stock market favourites

The four quoted electronic component distributors—Diploma, Farnell Electronics, Intech and Electrocomponents—are blue-chip boys of the stock market. Their shares have broken new highs with monotonous regularity and over the past year, have left the market very behind. The duller performer has been Electrocomponents: its shares have only outstripped the market by two-fifths. The other three have all outperformed the market by nearly three-fifths in the past 12 months.

Commanding P/E ratios—Electrocomponents for instance is valued at 18 times expected earnings for the year to last March—there is a case for saying the shares are fundamentally overvalued. The share ratings certainly allow nothing for setbacks or disappointments and there are growing fears that profits growth, which has averaged about 35 per cent compound over the past four years, will slow sharply as recession sets in the United States and manufacturers start attacking the United Kingdom market.

Diploma and Intech would theoretically suffer most if this happens because of their greater exposure to high technology active components like semiconductors and microprocessors where the falling trend in prices must be made up with growing volume. Over the past year prices for many of these products have in fact remained unusually firm because of the strength of demand.

Electrocomponents and Farnell, distributing mainly inflation-prone passive components may prove rather better protected, although it would be dangerous to draw too clear a dividing line.

The unpredictable depth of the United

States recession, which could slice into the fat profit margins of the distributors, is a major uncertainty and growth is likely to slow. But it should not be exaggerated. Certainly views in the industry are divided.

Electrocomponents—the purest of the distributors—is cautious about the future on this score. Farnell, however, which recently reported a 26 per cent rise in pretax profits to £5.1m is still confident of maintaining the growth rate of recent years with component distribution now accounting for about three-quarters of profits.

Diploma draws only half of profits from component distribution—the rest comes from a spread of engineering activities and plumbing products. Profits from component distribution rose by half in the six months to last December and the group is still finding the market firm.

Meanwhile, Intech, a more broadly based electronics manufacturing as well as distribution group, which recently announced a major acquisition in Germany and its second rights issue in nine months is expecting some slowdown from recent years. But still seems confident of turning in profits growth of around 20 per cent a year.

In the favour of the distributors are the growing applications for the componentry they supply and the potential to further increase their market share. Furthermore, the shares have clearly benefited from institutional hunger for one of the few sectors which provides opportunity for real growth but which is capitalised at only about £250m. The shares look pricey at these levels and their relative performance unexciting in the short-term. But any market weakness could provide good buying opportunities for the longer-term with Intech and Electrocomponents the pick of the bunch.

Traded options

Too few traded

Six weeks have passed since the Chancellor changed the tax treatment of the traded options market. But judging by the number of contracts arranged—336 last Friday—the market is still moribund.

Yet writers (sellers) of options and buyers are convinced that it is just awakening. At the end of the month options in P and O and Lombo will join the option classes in the dozen stocks now represented. But this is only a foretaste. By October the Stock Exchange will have its new Topic price display system working, and then it hopes to increase the number of stocks traded to 100. "Put" options would also be traded.

The trouble at the moment is that this list of stocks is so tiny. Business is done in BP, Consolidated Gold Fields and Racal, all volatile at one time or another, but 14 stocks hardly covers the main market, let alone its speculative areas such as secondary oils.

At the moment the traded options market is so strenuously intent on respectability that it has courted dullness, and no one needs options to cope with dull stocks. The Chancellor has not solved all the tax problems. Most potential traded options users would acquiesce if they had to pay normal capital gains tax, but not pension funds. However, the Revenue considers that an option is not an investment.

So if a pension fund buys an option and sells it, any capital gain would be taxable. Presents to the Revenue are something such funds are understandably anxious to avoid.

International bankers are about as helpful as diplomats when it comes to helping out the American monetary authorities. They make haste slowly. The latest example is the letter from central bankers of leading industrial nations to banks operating in their countries asking them to restrict lending to United States residents.

This is in response to a call for support from Paul Volcker, the US Federal Reserve's chairman, asking them for help in policing the United States credit squeeze. The request was in itself unusual in the sense that it is no business of foreign banks to help enforce the American domestic economic policy. But the positive response Mr Volcker has received is perfectly adequate.

Banks are simply asked to refrain from lending, there is nothing peremptory. It seems perfectly clear that if, for example, Ford of Britain wanted to use its own facilities to lend on to its United States parent it could do so. It should not take too much thinking for others to find appropriate loopholes.

Ed Lapham reports on an American car makers fight for survival

Chrysler steps back from the brink

Detroit Chrysler Corporation and its allies relaxed somewhat this weekend following approval of \$1,500m in federal loan guarantees.

When the Federal Loan Guaranty Board, meeting in Washington, approved the car maker's \$2,000m package of non-federal aid the go-ahead was given for Chrysler's survival plan. The car-maker said it plans to draw on \$500m in guaranteed loans within 15 days, the minimum waiting period.

The loan guarantee board has been considering the Chrysler proposal for two weeks. It finally sanctioned the loans following a commitment for \$200m in loan guarantees from the Canadian Government and additional concessions from the provincial government of Ontario, where Chrysler has a number of plants.

The United States Congress and Senate have up to 15 days to consider the package and express disapproval. However, it is unlikely any serious objections will arise.

The board's approval came news to Chrysler's Mr William Miller, United States Treasury Secretary and loan guarantee board member, said that Chrysler would have been bankrupt in May without the loan guarantees.

Last week the car maker announced a first quarter loss of nearly \$450m and acknowledged for the first time that

it would be forced into bankruptcy without the loan guarantees.

The weekend decision was the latest in a series of rescue attempts which have kept Chrysler afloat.

There is some doubt that Chrysler can survive even with the \$1,500m in government loan guarantees. The company could fall because of the austerity of its survival plan, an uncooperative economy or some weakness in the \$2,000m package of private money which it is putting together.

Ever since Chrysler first approached the American Government a year ago looking for some type of federal assistance, the car maker has maintained steadfastly that its problems are short-term.

However, at every juncture, Chrysler has been forced to adjust its forecasts and admit that its financial condition is worse than previously estimated. Only a week before Chrysler presented its proposal to the loan guarantee board it said it could lose up to \$750m in 1980. That would be the second largest loss ever recorded by a United States industrial concern. The largest was the \$1,100m which Chrysler lost last year.

The loan board said at the weekend that Chrysler could lose \$1,000m this year.

Like BL, which has pinned its survival hopes on the new Mini, Metro, Chrysler too has a much touted wonder product. It plans

to introduce its front wheel drive K-body Dodge Aries and Plymouth Reliant this autumn.

Chrysler hopes to sell about 500,000 K-body cars along with 323,000 sub-compact Omni, Horizon models and 200,000 Mitsubishi-built imports. These sales, Chrysler still insists, will allow the company to be profitable in the fourth quarter.

Mr Arvid Jouppe, motor industry analyst and vice president of John Muir and Company says that he agrees with Chrysler's outlook. At the point of view, Chrysler is losing heavily until September, then earning some, but not much, in the fourth quarter, he says. "The loan guarantees mean the start of the long, hard road back for Chrysler," Mr Jouppe estimates. Chrysler's survival chances with loan guarantees at about 90 per cent.

He believes Chrysler's products will be competitive, even after the company eliminates full-size car production. But it will undergo a sea-change.

There is no question that Chrysler will be a different company if it survives, Mr Jouppe says. "There will be controls from the Government and the United Auto Workers' Union and because Chrysler has sold stock to its suppliers and dealers it will be more closely bound to its constituents than any company before." The company will be a "pseudo-government-controlled, pseudo-public company."

Chrysler says that about \$300m of its projected \$750m

loss in 1980 will be due to America's high interest rates.

If the economy does not improve materially before October when Chrysler will begin selling the Aries/Reliant models, then all of the quality control, advance publicity and image-building will have been wasted on a non-buying consumer.

Even if the economy improves, interest rates subside and the new models sell as well as Chrysler hopes, the company will still have a debt service of about \$500m a year on existing loans.

Chrysler's 120 banks did make some concessions on interest rates and maturity dates for outstanding loans which will help if the company survives, but do very little to alleviate the \$5m a day cash shortfall.

Chrysler is not the only American car maker with serious financial problems. The Ford Motor Company has said that it too will lose money in both the first and second quarters this year. Ford is introducing its new front wheel drive sub-compact Escort this autumn and must do well if it is to avoid falling into a situation like Chrysler's.

Ford, however, does have its worldwide operations which last year offset North American losses to give the company a net profit of \$1,200m. Chrysler no longer has worldwide operations and has been forced to sell \$300m of its assets as part of the loan guarantee requirement. If Chrysler is forced to sell other profitable subsidiaries,

like its military tank operations or new process gear plant, the survivor company would be further weakened.

There are other problems too, says Mrs Marianne Keller, a motor analyst and vice president of Paine Webber, Michael, Hutchinson. "Chrysler must restore consumer confidence, maintain the integrity of its dealer group and generate enough cash to pay off the deferred interests, deferred pension costs and debt," she says.

"The big problem which faces the entire United States industry is how to make money on small cars. The United States auto industry must find a way to price small cars profitably; small-car prices are something which the Japanese companies have been able to determine successfully in the United States."

Mrs Keller is also somewhat pessimistic about the general state of the American car industry and the sales recovery, which is important to Chrysler's survival.

Chrysler remains optimistic however. According to one official, "We really did do the best we could putting together the package of non-federal aid. Besides, the Carter Administration decided that Chrysler was worth saving."

Mrs Keller agrees with the political analysis but says, as even with the federal loan guarantees, Chrysler's viability is "less than assured."

When rules and regulations do not help

In the second of two articles on monetary

control by leading economists,

Michael Stewart, Reader in Political

Economy at University College,

London, argues against the adoption of

a monetary base system

monetary aggregates by bringing about changes in interest rates.

The logic of this is denied by some monetarists, who argue that it is possible—and desirable—to control the supply of money by controlling the monetary base. Controlling the monetary base, it is claimed, simultaneously affects interest rates and the money supply, by operating on banks' assets as well as liabilities.

But just how this process is supposed to affect the money supply is a matter of some controversy. The medium of changes in interest rates is quite unclear. Even if one were to postulate that the Bank of England should cease to act as the lender of last resort—a recipe for a potential banking collapse that no one appears to be recommending—operations on the asset side of the balance sheet would still have their impact on the money supply as a result of changes in interest rates.

Thus the purpose of moving to a system of monetary base control, long advocated by some monetarists both here and in the United States, cannot in fact be to enable the authorities to control the money supply through some mechanism other than changes in interest rates. If the purpose of such a move is to bring about a more direct control of the money supply, then the recent Bank/Treasury Green Paper—reducing short-term fluctuations in the money supply.

It may seem somewhat paradoxical that those who make a virtue out of focusing on the medium term and claim that too much concentration on

short-term objectives has been the bane of British economic policy since the war, should need to be concerned with short-term fluctuations in the money supply, and many monetarists do indeed resist this, arguing that people should keep their eyes on the horizon and ignore the bumpsiness of the terrain beneath their feet.

The trouble with this praise-worthy advice is that if the Chancellor's medium-term monetary targets are to work people must believe that they are really going to be adhered to. And the hard evidence on whether or not they are going to be adhered to lies not in politicians' declarations of intent, but in the figures on the money supply and other closely related variables which come in week by week and month by month. If these figures appear to be diverging from the stipulated medium-term trend, the credibility of the whole exercise is called into question.

Smoothing out short-term fluctuations in the money supply, however, and distinguishing between "blips" in the figures and genuine changes of trend, is easier said than done. Quite apart from factors like the bunching of tax payments or the consequences of the introduction of cash flow by any such last autumn's engineering strike, postponement of gilt-edged purchases by the institutions for a month or two can have a major impact on short-term movements in the money supply.

The Bank has experimented with various convertible, variable, rate and partly-paid

stocks in an attempt to cope with this problem, but the effect has not been great. A number of other suggestions, such as a more active pricing policy in selling stock, or the adoption of a tender system, have been proposed. But in all these cases it seems entirely possible that the effect might be to increase uncertainty in the gilt-edged market and thus increase short-term fluctuations in the money supply.

An alternative approach is to be found in controlling the monetary base. The tough version of this approach would impose a mandatory requirement on the banks to hold base assets at a certain time which represented some specified proportion of their deposits at a certain time (whether there should be lagged, current or average figures is an endlessly argued point).

For reasons discussed at length in the Green Paper, it seems doubtful whether such a mandatory monetary base control system would produce the required results and, indeed, whether such a system could in practice be operated at all. But even if it could, it could be overcome, one is left with the fact that one of the major results would almost certainly be very severe short-term fluctuations in interest rates.

Although the problems this would pose for management of the gilt-edged market are not discussed in the Green Paper itself, some of them can be inferred from an article on *The Gilt-Edged Market* in the Bank of England Quarterly Bulletin, June, 1979, which among other things emphasises the high ratio of outstanding bonds to gnp in the United Kingdom (42 per cent compared with 16 per cent in the United States), and their long average maturity (12 years

compared with five years in the United States).

Big short-term fluctuations in interest rates, with their corollary of substantial short-term fluctuations in gilt-edged prices, could make the authorities' task of debt management much harder.

The alternative, softer approach canvassed in the Green Paper, instead of trying to control the monetary base directly is to use divergences from the desired path of the monetary base to trigger changes in minimum lending rate and other interest rates. This would probably lead to prompter adjustments in interest rates that occur at the moment and thus help to smooth out the growth path of the monetary aggregates. (But this is what one wants, as the Green Paper points out, one might as well make direct use of the growth of sterling M3 itself as the variable which triggers changes in interest rates.)

The basic objection remains: trying to smooth out the growth of sterling M3 in the face of all the short-term disequilibrating forces which impinge on it, is likely to lead to big fluctuations in interest rates and a disorderly and destabilised gilt-edged market.

For this reason the Green Paper proposes a loophole: the authorities should have discretion to override the automatic interest rate changes resulting from the system when they deem it necessary to judge by the recent events—the postponement of the call for special deposits, the repeated £500m gilt-edged swap arrangements with the banks—such discretion would be frequently exercised.

It is this—the degree of discretion to be exercised by the authorities—that the argument is really all about. Advocates of monetary base control systems, and monetarists in general, believe that economic policy should be constrained as tightly as possible by rules laid down in advance. But the world is a very uncertain and unpredictable place.

No doubt there is some scope for rules: but no rules can ever provide for all the contingencies that will arise. Even if one accepts the validity of medium-term monetary targets, the short-term path along which they are pursued must remain to a maximum extent a matter of judgment and to a minimum extent a matter of rigid formulae. It is obvious from the Green Paper that the Treasury and Bank would like all this talk of controlling the monetary base to die a quiet death. They are right.

Business Diary profile: Lee Iacocca, Chrysler's optimist supreme

Washington I honestly believe that within a very short time the opportunities for Chrysler Corporation will be far greater than the problems," declared Lee Iacocca, the company's president, at the Chrysler annual general meeting exactly one year ago. Since then Iacocca has been promoted and the fortunes of the company have gone from bad to worse.

Tomorrow Iacocca, now chairman of the ailing car company, will address shareholders once again. There are bound to be lots of questions about the company's outlook, prospects and without doubt Iacocca will exude optimism, deftly brush aside all criticism and go to immense lengths to stress that brighter days lie ahead.

Iacocca, 55, is a brilliant salesman and he is always selling something. He sold the Congress on the idea of legislating special bailout terms for Chrysler. He has sold the ailing Chrysler dealers across America on the idea of having confidence in the company.

He appears regularly in company advertisements as he strives to sell Americans on the merits of Chrysler cars. Ever since President Carter signed the Chrysler rescue legislation on January 7, Iacocca has been telling everyone who would listen that he is head of the new Chrysler.

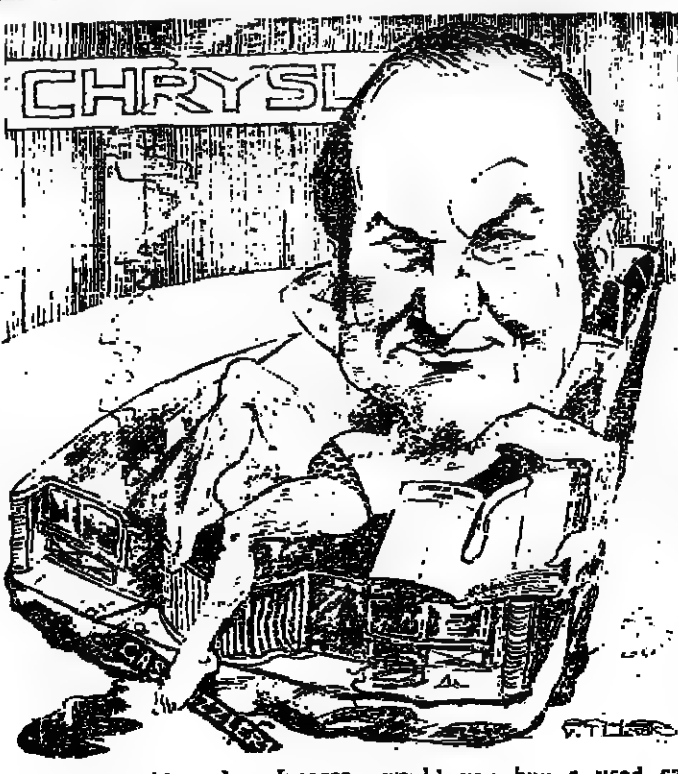
"He is one of the most articulate businessmen I have ever heard," says David Healy, a securities analyst on Wall Street at the firm of Drexel, Burnham, Lambert.

"He is a natural in front of a live audience—a brilliant impromptu speaker," notes Ned Brown, a senior executive at the New York Advertising agency of Kenyon and Eckhardt.

But there is more to the man striving to be Chrysler's saviour than just a silver tongue. "He would not have risen so rapidly in the industry without a lot of talent," says Healy, who adds that he believes Iacocca "probably bit off more than he could chew at Chrysler."

Born in Pennsylvania Iacocca took a masters degree in engineering at Princeton University in 1946 and then joined the Ford Motor Company as a management trainee. He became a director of Ford in 1965 and president of the company in 1970. His most noteworthy success was the Mustang car which radically changed Detroit model styles and worked wonders for Ford's profits.

Along with sales and engineering skills, Iacocca has a keen eye for a successful car. He has been to the races and he was pretty



Chrysler president Lee Iacocca: would you buy a used car company from this man?

heavily disliked. "He was utterly fearless," says a former Ford executive. He added that "Henry Ford would at least listen to people, but Iacocca surrounded himself with just those who always agreed with him." The inevitable result, says the executive, was that Iacocca's car was a flop. "He didn't want to run things, he wanted to be a success."

Iacocca was dismissed. This was just the time when another ruthless car industry executive, John Riccardo, was searching for a new talent. Running Chrysler constantly saving it from disaster, had simply exhausted Riccardo and he grabbed Iacocca with both hands.

The former Ford president went to Chrysler assured of the top job, and of \$1.5m in special payments, in addition to a salary and bonuses, to compensate him for accrued benefits at Ford—such big payments, as Lazard Frères are quick to point out, are often seen when top executives change their employment.

Iacocca ran fast to put together a team of old friends to run Chrysler. In addition to recruiting old Ford friends, Iacocca also lured from Ford his successful advertising agency, Kenyon and Eckhardt. Iacocca ended Chrysler contracts with three separate advertising firms and gave, what he has labelled "a unique total marketing partnership" contract to Kenyon and Eckhardt. The Chrysler advertising budget runs to around \$140m a year and Iacocca features prominently in most of the television commercials.

In addition to his \$1.5m in special payments, Iacocca does

none too badly at Chrysler (total salary of \$265,750 last year, plus benefits worth \$120,000), but for that he works exhausting hours, striving to keep tabs on every facet of the business.

As part of his bid to save Chrysler he agreed to offer a board seat to Douglas Fraser, head of the United Auto-workers Union. Tomorrow shareholders will vote for the first time for a trade unionist to join the board of a large United States company.

The tasks he faces, however, to keep Chrysler afloat from month to month, let alone secure its future, are massive. Despite all his bravado and bold optimism, the company is in desperate trouble. He seems rather than Riccardo and so may last longer (Riccardo was Chrysler chairman for three years), but many analysts doubt that he can win.

Healy notes that Iacocca has spent all his time since joining Chrysler "putting out the fires, rather than having a chance to use his substantial creative product talents." Healy adds that Chrysler will gradually become a ward of the state, maybe another BL, even when the dynamic Iacocca at the helm.

Frank Vogl

The Huntleigh Group Limited

"The 1979 Results were disappointing. However the Group's considerable involvement in the expanding defence and semi-conductor industries should continue to provide a strong base for expansion."

John M. Kuipers—Chairman

COMPARATIVE FIGURES	1979	1978
Turnover	6000	6000
Profits before tax	11,387	8,576
Profits after tax	577	950
Dividends	142	89
Retained in business	409	571
Dividend per share	1.19p	0.76p
Earnings per share (fully diluted)	4.8p	5.6p

The Annual General Meeting of the Company will be held at the Howard Hotel, London WC2, at 12 noon on Monday, 9th June, 1980.

Copies of the Report and Accounts are available from the Company Secretary, The Huntleigh Group Limited, Glover Street, Redditch, Worcs. B98 730.

FINANCIAL NEWS

Metal prices are the key factor

A few months ago, 1980 was being hailed as the year of the mining finance houses. After a four-year spell in which these slightly curious institutions had lagged behind the market, the argument ran, the long-awaited revival in the metal markets should cause the shares to be uprated.

The spectacular performance of precious metals added force to the case. And so it happened—for a while. From languishing at a discount to the market, the British mining finance house sector has gone to a premium. Last Thursday the average p/e for the FT 500 Index was 5.62 and the gross dividend yield was 7.05 per cent. The comparable figures for the mining finance sector were 8.29 and 5.42.

All four British mining finance houses have shown significant price increases since the beginning of the year. Charter Consolidated is up 6p, Rio Tinto Zinc is up 143p, Consolidated Gold Fields, partly inspired by the

Mining

De Beers and Anglo American purchase of 25 per cent, is now about 439p, an increase of some 74p after going much higher during February's excitement. Rio Tinto Zinc has put on 30p to 358p, and Selection Trust has risen by 42p to 626p.

In the nature of things, the yields have not changed in unison. Charter has fallen slightly to 8 per cent, while the others have gone up a little: Consolidated Gold 5.4 per cent, RTZ 6 per cent, instead of 5.4, Selection 5.2 per cent in contrast with 5.1.

But is the fun now over? The latest wave of foreigner stockbrokers and commodity analysts suggests that metal prices will fall in the second half of the year, just as the expectation of rising prices took the shares to premium valuations, so the prospect of lower metal prices

could return the shares to their previous discount.

The widespread assumption that metal prices will end the year lower than they started is based on predictions of a deeper trade recession internationally. Metals looked stronger towards the end of 1979 and the beginning of this year because stocks had been run down and inflation and speculation in precious metals created demand for their base brothers.

For the moment, however, gold is trading rather aimlessly, lacking the political incentive needed to propel it upwards again. Silver has been victim to one of the most dramatic manipulations and crashes the commodity markets have ever seen.

At the same time, industrial demand for metals is weakening and once fears of the American economy deteriorating are realised, prices could slip rapidly. The companies' second-half profits will therefore dip below those of the first half.

if not of the same period last year.

But a general softening of metal prices does not affect all mining houses in the same way. For a start, a crucial distinction should be made between those most exposed to fluctuations in precious metals and those most dependent on base metals. Consolidated Gold is obviously well placed if one assumes that gold is unlikely to fall.

Charter, for its part, is an exception in this respect as in most others. After last year's reorganisation, the company is not directly exposed either to gold or to copper, the most volatile base metal. An increase in earnings for the year just ended may be offset in dividends by the relatively high proportion of non-dividend-paying associates. The company, moreover, has stressed that it will concentrate on acquiring industrial assets in Britain.

Both RTZ and Selection Trust, by contrast, are quite exposed to base metal price movements. Last year, year's vintage one for RTZ, with pre-tax profits soaring from £284m to £453m. But as the company itself said at the time, "The increase in pre-tax profit was mostly due to the improvement in metal prices." These benefits can be expected to feed through into the first two quarters, but thereafter the pace will probably slacken.

Selection Trust, which is discussed in greater detail below, has pursued an extensive diversification policy for many years, the purpose of which has been to guard against precisely these trade fluctuations.

But base metals are with essential to the company's fortunes and it is interesting that the high premium the shares recently enjoyed against the sector has now eased into line.

Michael Prest

What Amax means to Selection Trust

Selection Trust is the smallest of the British mining finance houses. In 1979 pretax profits and assets were £26.4m and £195m respectively. It is also the purest example of the genre, being almost exclusively a kind of holding company, with less emphasis than the others on mine management.

The company's progress from pretax profits of £5.5m in 1971 has been founded on one very successful investment, the 8.3 per cent stake in Amax, the giant American natural resources concern. Even now, after a decade of diversification and development of major projects, Amax's dividends still contribute £3.7m, or 12 per cent, of gross revenue.

The bulk of the rest of

revenue comes from North Sea interests and industrial holdings in Britain. Australia, which includes the Mount Newman iron ore mine, and the Spargville nickel property, has been disappointing. Last year Australia's contribution to operating profit was £5m.

But earnings per share could rise this year from 43p to 55p, and part of the reason will be another Australian venture, the Agnew nickel mine.

From an investment point of view, however, the question is whether Selection Trust is preferable to perhaps either Amax, where earnings are growing very fast, or loco, the Canadian nickel company, which shows signs of recovering well from last year's doldrums.



Mr. John de Cane, chairman of Selection Trust.

New chief for EMI medical operations

Mr. Richard Watt, a director of EMI, will be managing the company's medical diagnostic imaging business. He has been appointed chairman of EMI's medical electronics operations, succeeding Mr. David Woodman who has relinquished that position pending his departure from EMI to take up a senior appointment with an international organisation outside the medical electronics field.

Mr. R. J. Proctor-Searcy has been appointed a director of EMI.

Mr. C. F. Lambert, director-general of the Automobile Association, has been appointed to the Board of "Motorists' Credit Company."

Mr. Harry Francis has become senior partner of Buckmaster & Moore in succession to Mr. Oliver Dawson, who remains a partner of the firm.

Mr. Anthony J. Smith has been made director of the London Telecommunications Region succeeding Mr. Ken Ford who is retiring.

Mr. P. R. Dugdale has been appointed chairman of Capital & Counties in place of Mr. F. M. Baines who has retired as chairman and director. Mr. W. M. Clarke is appointed a director, and Mr. G. R. Keller becomes director, director for Mr. J. J. Howard.

Mr. Mansel Kidd has become chief executive of Olive & Stokes. Mr. T. Hindmarsh has been appointed technical director of E. Jorgensen and Sons, one of the steel foundry companies of the Weir Group.

Mr. G. Healey, the group chief executive of Burnett & Ballantyne, has been elected chairman of the Board of the British Steel Corporation, which will remain on the board in a non-executive capacity. Mr. Healey will retain his responsibilities as Group chief executive.

Contrasting opinions on gilts

In a dull stock market ahead of the three-week account, brokers' research has concentrated on the more traditional issues. Several studies deal with gilts, oils, property, television licences and engineering.

There are divergent opinions on the gilt market. Fielding Newson-Smith & Co say that a bull market in gilts has already started and as the recession takes shape interest rates will be falling. They recommend that funds should be fully invested in gilts.

Phillips & Drew take a more cautious approach. They say that the movement in gilts mirrors the recovery in bond markets elsewhere. They think that short-dated gilts, already discounted, will decline in money rates over the next six months and are heavily dependent on international money inflows which may not last if American yields go up again.

On longer gilts, P & D say that some consolidation could take place before any new advance.

Property shares have drawn the attention of Rowe & Pitman and of Quilter, Hilton, Goodison & Co. Both brokers have issued several studies on property companies. Rowe & Pitman rate Hamptons Property & Investment Trust as a long-term "buy" because of good management, high-quality property portfolio and a 22 per cent discount on shares. For roughly similar reasons, Quilters rate the shares as a "hold".

Both brokers forecast profits of £10m this year and strong growth thereafter.

Quilters are recommending Land Investors, even though profits are only "likely" to increase marginally. This is be-

cause the shares stand at a 34 per cent discount to the market, the finances are strong and the quality of the portfolio is improving.

Rowe & Pitman say the shares should be bought on any setback. Quilters also recommend Laing Properties, while they rate Agilis as a "hold".

W. Greenwell & Co have made a long study of television broad-

casting under the headline:

"No longer a licence to print money?" In fact, the study seems to suggest that television broadcasting is going to remain a good business after the next round of franchisees.

The brokers say that the three main issues affecting the industry to be decided this year are: which contractors are going to bid, the franchises from 1982, a decision by Parliament on the merits of IBA's proposals for ITV-2 and new plans for the future of the Exquisite Line. They think that the only real threat to the profitability of the business is the non-renewal of licences.

In 1968, when the first round of franchise renewals took place, one company lost its franchise. Since then, however, is not automatic. Greenwells think that with the introduction of ITV 2, such a risk is improbable this time. They think there are good "buy" in the sector, in spite of the uncertainties until the end of the year and point out that, at present, television advertising is rising at an annual rate of 50 per cent.

Several brokers focus on selected engineering shares. Thus, Rowe & Pitman recommend Glynd as a "hold" for its high yield, even though they

expect profits to dip this year from £18.7m to £18m. They also say that Rolls-Royce Motors should either be retained or bought on any setback. By 1982, Rolls-Royce Motors could be making, say the brokers, about £20m pretax profits, thus implying a p/e ratio of only 3 at current levels.

As a long-term "buy", they recommend H. Brammer & Co, whose shares have risen twelve-fold in the past five years. Henry Cooke, Lumsden & Co recommend Hopkinson Holdings for its high yield and very strong recovery potential.

W. Greenwell have prepared a study on institutional investment overseas. They say that this is a useful way of spreading risk but that in comparing United Kingdom and foreign investments, currency fluctuations must be taken into account. They think that prudent investment overseas should be restricted to equity investment, though there may be some benefit in investing a small proportion of a long-term interest fund overseas.

Tinplate shortage hit Francis Indrets

Directors of Francis Industries have had to "modify their ambitions to some extent" as a result of the steel strike, says Mr. D. M. Saunders, chairman, in the annual report.

In the first two months of the year the group had shown very considerably improved results over the corresponding period in 1979. But production levels in March and April at F. Francis were affected by the shortage of tin plate while other subsidiaries suffered delays in call-offs from customers hit by the strike.

Ultramar in 1980

Excellent prospects for the year



Review of Ultramar Group Financial Results and Operations for the Quarter to 31st March 1980

Summary of Financial Results

	First Quarter 1980 £ million	First Quarter 1979 £ million
Sales	223.8	200.8
Operating profit before taxation	31.5	12.2
Operating profit after taxation	18.1	6.8
Net profit	19.8	9.1
Cash flow from operations	23.9	11.0

The financial results of the Ultramar Group for the first quarter of 1980 were once again at a record high. The operating profit before taxation amounted to £31,500,000 compared with £12,200,000 for the first quarter of 1979. The net profit, after taxation and exchange fluctuations, was £19,800,000 for the first quarter of 1980 as against £9,100,000 for the corresponding quarter of last year.

These excellent results were achieved despite a sharp drop in the Group's sales of oil from 280,900 barrels per day in the first quarter of 1979 to 203,600 barrels per day for the first quarter of this year. Refinery runs were also lower. There are a number of reasons for the lower sales volume but primarily it reflects the reduced volumes of crude oil available to us and our deliberate policy of cutting back in the types of business which do not give adequate returns.

Nearly 40 per cent of our first quarter Group profits came from our Indonesian operations where the Badak LNG Plant continues to operate at throughput rates considerably in excess of design capacity. The producing divisions in Western Canada and the North Sea were also profitable, and

our refining and marketing operations did well overall. However, the financial return on our large investment in Eastern Canada, although improved, is still not satisfactory. We expect to make an early decision on whether to sophisticate the Quebec Refinery by adding equipment which will give us more light products and less heavy fuel oil.

In the first quarter, we took advantage of our strong cash position to prepay some £34,000,000 of long term debt and thereby reduce our interest costs.

For the rest of the year, our capital expenditure programme will concentrate on exploration and development in Indonesia, the North Sea and Western Canada. We will be participating with several groups of companies to apply for blocks in the forthcoming 7th round of North Sea licence applications.

There are some uncertainties for the remainder of the year but we expect the results for 1980 to be excellent.

9th May 1980

Campbell Nelson
Chairman

Ultramar Group Results for the Quarter to 31st March 1980

Consolidated Profit and Loss Account	First Quarter 1980 £ million	First Quarter 1979 £ million	Year 1979 £ million	Notes
Sales	223.8	200.8	21,001.7	
Profit on trading	35.0	15.8	108.4	1. Group operating profits are largely in U.S. and Canadian dollars.
Amortisation, depreciation, depletion and amounts written off	3.5	3.8	16.5	2. The gain on foreign exchange fluctuations of £0.7 million during the first three months of 1980 resulted almost entirely from long term loans of individual companies repayable over the years 1983.
Elimination of remaining unamortised costs in Iran	—	3.8	31.0	3. Translation and conversion exchange rates used by the Group are:
Operating profit before taxation	31.5	12.2	75.4	
Taxation on operating profit	8.3	2.5	16.8	
Current	4.1	2.5	14.5	
Deferred	—	—	—	
Operating profit after taxation	18.1	6.8	45.3	
Foreign exchange fluctuations (Note 2)	0.7	2.3	1.5	
Net profit	19.8	9.1	46.8	
Dividends	—	—	—	
Convertible Redeemable Preferred Shares	0.2	0.3	0.9	
Ordinary Shares —	—	—	—	
Interim 5p per share	—	—	2.3	
Final 10p per share	—	—	4.8	
Advance Corporation Tax written off	0.1	0.1	3.4	
Earnings retained for the period	19.5	8.7	43.6	
Cash flow from operations	23.9	11.0	28.3	
Earnings per Ordinary Share	41.8p	19.6p	99.3p	
Basic	37.2p	17.4p	88.1p	
Fully diluted	—	—	—	

Consolidated Statement of Source and Application of Funds

	First Quarter 1980 £ million	First Quarter 1979 £ million
Source of Funds		
From Operations:		
Operating profit after taxation	18.1	6.8
Amortisation, depreciation, depletion and amounts written off	3.5	3.8
Deferred taxation on trading profits	4.1	2.5
Indonesian debt service equalisation (Note 4)	(2.8)	(1.9)
Cash flow from operations	23.9	11.0
From other sources:		
Long term loans raised	1.8	0.1
Exchange adjustments due to currency realignments	1.1	0.6
	26.8	11.7
Application of funds		
Acquisition of subsidiary companies	—	3.4
Additions to fixed assets	8.5	6.5
Capital expenditures	8.5	9.9
Prepayment of long term debt (Note 5)	33.8	—
Portion of long term debt now due in one year	0.6	2.2
Convertible Redeemable Preferred Shares dividend including Advance Corporation Tax 20.1 million (1979 £0.1 million)	0.3	8.4
Miscellaneous items (Decrease) in working capital	0.2	(0.3)
	(16.8)	(0.5)
	26.8	11.7
Working capital at 31st March 1980	237.7	220.3
Long term loans at 31st March 1980	244.1	235.1

Operating results

	First Quarter 1980	First Quarter 1979
Sales of oil (barrels per day)	203,600	280,900
Oil refined (barrels per day)	83,800	105,700
Oil produced (barrels per day)	8,900	9,200
Gas produced (thousands of cubic feet per day)	189,800	171,900
Gross wells drilled	15	8
Oil and gas wells completed (in which the Group has varying interests)	13	5

Ultramar

2 Broad Street Place, London EC2M 7EP



MARKET REPORTS

Dry cargo market strengthens

While the May Bank Holiday inevitably influenced trading in both markets the recovery rate for the dry cargo sector was much stronger than that of tankers. The former experienced an active week overall although for one day fixing was subdued.

However, this proved to be a temporary lull and general rates were as firm as ever.

Time chartering was again very prominent in the week's business with more bookings for periods than of late. The longest period arranged was for 18 months trading and this involved a 64,000 tonner at \$6.45 per ton with June delivery.

The most favoured ton for period charter was 12 months. Two vessels of about 35,000 tons were taken for this span at between \$10.75 and \$11.50 per day while a 70,000 tonner with prompt delivery obtained \$6.50.

The highest vessel booked was of 170,000 tons taken by Sanko for 12 months at \$2.90 with mid-May delivery.

Among trip charters the

Soviet Union arranged a 22,500 tonner at \$10.200 a day for a trip via Australia with delivery in North Korea and re-delivery in the Skaw/Pasadena range.

China was also active here with the fixing of a 20,000 ton ship for a trans-Pacific round voyage from Japan at \$9.100 per day.

Freight

As usual grain business led the void sector with rates staying firm and inquiry steady. From the United States Gulf 342 was paid for \$30,000 ton cargo to China while a 50,000 ton cargo to Japan secured \$19.25.

To Taiwan \$38 was paid on 27,000 tons with \$6.25 less being arranged on 30,000 tons from Long Beach to the same destination. Support from other commodities was very limited.

In the tanker area, still weighed down by high oil stocks and the continuing un-

certainties in the Middle East, trading was naturally hindered. In the Gulf trading got off to a very slow start although it picked up later. Interest in big tonnage was restricted and Eastern destinations dominated the few bookings.

A vice was fixed to Japan at worldwide 35.25 and 320,000 ton vessel secured worldwide 28 for a similar voyage with the addition of 60 day storage at \$11,000 a day. Texaco also chartered a 340,000 tonner at worldwide 28.5 (oil steam) to the Caribbean with an option to the United Kingdom/continent at worldwide 29.

Several other vessels, mostly under 100,000 tons, were booked out of the Gulf but rates remained about the same.

The Caribbean tended to be the bright spot in the market. Here there was a steady demand for tonnage to which rates responded accordingly. It was reported that rates for both United States and transatlantic shipments showed improvement.

David Robinson

Issue rally reversed by profit-taking

Euromarket participants are beginning to sober up from the intoxication of plunging short-term interest rates, writes A. P. Donofrio.

When short-term dollar interest rates levelled off at midweek and then moved moderately higher, profit-taking among recent offerings set in with a vengeance. Many of those issues declined by two to three points from their trading highs.

Bond analysts were in agreement that bond yields had declined by too much too soon. According to one specialist, yields of new dollar bond issues have declined by four percentage points in five weeks.

Some analysts were beginning to question whether yields are sufficiently high to compensate investors for inflation. "Present yields appear unrealistically low if compared to the rate of inflation as measured by the past three months of the increase in the consumer price index," says Mr. Charles Geist, a bond analyst at Chemical Bank International.

He adds that lower inflation rates are likely but that at this

stage it is difficult to predict even a near-term level.

Also causing analysts to take a more cautious view of the market was a build-up in the supply of offerings. Seven fixed-rate dollar issues totaling \$755m were launched this week and the market was rife with talk of further issues to come.

Euromarkets

Moreover, cut-throat competition among underwriting syndicates for underwriting mandates was evident. As a result, some relatively low coupon rates were offered to certain borrowers.

For instance, a syndicate led by Deutsche Bank agreed to float a \$75m, 15-year issue for the European Community at 9.5% bearing 11.0% per cent annually to yield 11.07% per cent at maturity.

Ford Motor Company has also been successful in raising funds in the Euromarket despite having reported the largest loss in its history in the first quarter.

Eurobond prices (yields and premiums)

US \$ STRAIGHTS	Offer	Rebate	Yield	Premium
Deutsche 10 1981	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1982	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1983	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1984	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1985	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1986	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1987	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1988	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1989	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1990	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1991	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1992	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1993	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1994	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1995	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1996	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1997	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1998	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 1999	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2000	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2001	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2002	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2003	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2004	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2005	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2006	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2007	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2008	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2009	98 1/2	10 1/2	10 1/2	10 1/2
Deutsche 10 2010	98 1/2	10 1/2	10 1/2	10 1/2

Gas oil likely to be first contract of a petroleum futures exchange

Should an international petroleum futures exchange be set up in London, the first contract is likely to be in gas oil.

Speaking at a recent conference to promote such an exchange, Mr. James E. Sweeney, managing director of E. F. Hutton & Co., and a director of the London Commodities Exchange, referred to the deliberations of the working party which has been studying the proposal for such an exchange.

He said that in studying the proposed contracts, the working party had attempted to narrow the wide range of petroleum products down to those with the most potential, as well as the need for a commodity futures contract. It was not the intention to dictate contract terms, but from conference discussions it was hoped to be able to make recommendations for approval by any exchange associations which might be formed.

The first step was to determine which products had sufficient volume, as well as a wide enough spread of potential suppliers and users, to make a futures contract viable. This still left an enormously wide range.

The field was narrowed considerably, however, because the major criteria for any commodity contract was that it must be deliverable on the market and must be definable to certain specifications.

Unlike a physical transaction where the specific details of each trade were worked out by the buyer and seller, a futures transaction was entered into with an unknown opposite party with the clearing house acting as guarantor. Therefore, a standard contract was essential.

The major products meeting these criteria were gas oil, bunker oil, naphtha and ben-

zine. Much consideration had been given to these and other potential products and it was believed that some day there would be future markets in all of these.

It was felt that it would be wrong to attempt to start with more than one contract and it was proposed that it should be in gas oil.

Not only did this meet the criteria outlined previously, but it had one of the largest volumes of any of the products. In addition, it was the only product which had been traded successfully as a futures contract.

The New York Mercantile Exchange had had a contract in gas oil for the last three

years, which had grown to quite a respectable volume of approximately 250 lots daily.

An important factor in this success had been the use of the market by oil wholesalers and middlemen. Also, the Chicago Board of Trade, which was the largest commodity exchange in the world, was currently drawing up specifications for various petroleum products including gas oil.

These two markets would provide arbitrage facilities for the proposed London market, even though they were in United States dollars while our contract would be in metric tons.

In proposing a gas oil contract it was necessary to come up with specifications for delivery. For example, the New York contract particulars were designed to meet the New York City purchasing specifications.

In various discussions with members of the trade and potential users, it became apparent that the German

quality was the most attractive. More than 30 million tonnes of oil products were moved through the port of Rotterdam, of which gas comprised approximately half of this. Accordingly, proposed contract specifications were for the "B" grade.

It was proposed that the initial contract size be 100 tonnes, even though most of the trades were for a much greater quantity. This was to encourage the speculators' small trade users in the market.

Original margin deposits were required on all full contracts and these were to be 5 per cent of 10 cent of the full contract value. Therefore, one lot of 100 tonnes at a price of \$30.00 per tonne (i.e. \$3,000 per contract) would call for a margin of \$300.

To have a larger contract with the resulting bigger margins, would only keep the speculators and small traders. The small size would not mean hedging or trading in quantities.

Anyone wishing to hedge 20,000-tonne cargo would merely trade 20 lots. This is the same as in other commodities such as cocoa, where average physical transaction was around 250 tonnes with futures contracts of 10 tonnes.

The price would be set in United States dollars. Should exchange controls be reinstated, it was envisaged that members of the bank of England, as the case in other markets, to these controls being lifted.

The working party had also considered the area of delivery points. The delivery vehicle would be a warrant issued by an authorized installation, confirming gas oil which met the contract specifications was held in order of the holder of the warrant.

Wallace Jack

Commodities, E.

Weekly list of fixed interest stocks

Stock	Price	Yield	Dividend
Admiralty 7 1/2% Deb	98 1/2	7 1/2	7 1/2
Admiralty 8% Deb	98 1/2	8	8
Admiralty 9% Deb	98 1/2	9	9
Admiralty 10% Deb	98 1/2	10	10
Admiralty 11% Deb	98 1/2	11	11
Admiralty 12% Deb	98 1/2	12	12
Admiralty 13% Deb	98 1/2	13	13
Admiralty 14% Deb	98 1/2	14	14
Admiralty 15% Deb	98 1/2	15	15
Admiralty 16% Deb	98 1/2	16	16
Admiralty 17% Deb	98 1/2	17	17
Admiralty 18% Deb	98 1/2	18	18
Admiralty 19% Deb	98 1/2	19	19
Admiralty 20% Deb	98 1/2	20	20
Admiralty 21% Deb	98 1/2	21	21
Admiralty 22% Deb	98 1/2	22	22
Admiralty 23% Deb	98 1/2	23	23
Admiralty 24% Deb	98 1/2	24	24
Admiralty 25% Deb	98 1/2	25	25
Admiralty 26% Deb	98 1/2	26	26
Admiralty 27% Deb	98 1/2	27	27
Admiralty 28% Deb	98 1/2	28	28
Admiralty 29% Deb	98 1/2	29	29
Admiralty 30% Deb	98 1/2	30	30

Stock	Price	Yield	Dividend
Admiralty 31% Deb	98 1/2	31	31
Admiralty 32% Deb	98 1/2	32	32
Admiralty 33% Deb	98 1/2	33	33
Admiralty 34% Deb	98 1/2	34	34
Admiralty 35% Deb	98 1/2	35	35
Admiralty 36% Deb	98 1/2	36	36
Admiralty 37% Deb	98 1/2	37	37
Admiralty 38% Deb	98 1/2	38	38
Admiralty 39% Deb	98 1/2	39	39
Admiralty 40% Deb	98 1/2	40	40
Admiralty 41% Deb	98 1/2	41	41
Admiralty 42% Deb	98 1/2	42	42
Admiralty 43% Deb	98 1/2	43	43
Admiralty 44% Deb	98 1/2	44	44
Admiralty 45% Deb	98 1/2	45	45
Admiralty 46% Deb	98 1/2	46	46
Admiralty 47% Deb	98 1/2	47	47
Admiralty 48% Deb	98 1/2	48	48
Admiralty 49% Deb	98 1/2	49	49
Admiralty 50% Deb	98 1/2	50	50

Unit Trust Prices—change on the week

FT Index change on week 436.5-7.1 (1.6%)

Unit Trust	Price	Yield	Dividend
Admiralty 51% Deb	98 1/2	51	51
Admiralty 52% Deb	98 1/2	52	52
Admiralty 53% Deb	98 1/2	53	53
Admiralty 54% Deb	98 1/2	54	54
Admiralty 55% Deb	98 1/2	55	55
Admiralty 56% Deb	98 1/2	56	56
Admiralty 57% Deb	98 1/2	57	57
Admiralty 58% Deb	98 1/2	58	58
Admiralty 59% Deb	98 1/2	59	59
Admiralty 60% Deb	98 1/2	60	60
Admiralty 61% Deb	98 1/2	61	61
Admiralty 62% Deb	98 1/2	62	62
Admiralty 63% Deb	98 1/2	63	63
Admiralty 64% Deb	98 1/2	64	64
Admiralty 65% Deb	98 1/2	65	65
Admiralty 66% Deb	98 1/2	66	66
Admiralty 67% Deb	98 1/2	67	67
Admiralty 68% Deb	98 1/2	68	68
Admiralty 69% Deb	98 1/2	69	69
Admiralty 70% Deb	98 1/2	70	70

Unit Trust Prices—change on the week

FT Index change on week 436.5-7.1 (1.6%)

Unit Trust	Price	Yield	Dividend
Admiralty 71% Deb	98 1/2	71	71
Admiralty 72% Deb	98 1/2	72	72
Admiralty 73% Deb	98 1/2	73	73
Admiralty 74% Deb	98 1/2	74	74
Admiralty 75% Deb	98 1/2	75	75
Admiralty 76% Deb	98 1/2	76	76
Admiralty 77% Deb	98 1/2	77	77
Admiralty 78% Deb	98 1/2	78	78
Admiralty 79% Deb	98 1/2	79	79
Admiralty 80% Deb	98 1/2	80	80
Admiralty 81% Deb	98 1/2	81	81
Admiralty 82% Deb	98 1/2	82	82
Admiralty 83% Deb	98 1/2	83	83
Admiralty 84% Deb	98 1/2	84	84
Admiralty 85% Deb	98 1/2	85	85
Admiralty 86% Deb	98 1/2	86	86
Admiralty 87% Deb	98 1/2	87	87
Admiralty 88% Deb	98 1/2	88	88
Admiralty 89% Deb	98 1/2	89	89
Admiralty 90% Deb	98 1/2	90	90

Unit Trust Prices—change on the week

FT Index change on week 436.5-7.1 (1.6%)

Unit Trust	Price	Yield	Dividend
Admiralty 91% Deb	98 1/2	91	91
Admiralty 92% Deb	98 1/2	92	92
Admiralty 93% Deb	98 1/2	93	93
Admiralty 94% Deb	98 1/2	94	94
Admiralty 95% Deb	98 1/2	95	95
Admiralty 96% Deb	98 1/2	96	96
Admiralty 97% Deb	98 1/2	97	97
Admiralty 98% Deb	98 1/2	98	98
Admiralty 99% Deb	98 1/2	99	99
Admiralty 100% Deb	98 1/2	100	100

Unit Trust Prices—change on the week

FT Index change on week 436.5-7.1 (1.6%)

Unit Trust	Price	Yield	Dividend
Admiralty 101% Deb	98 1/2	101	101
Admiralty 102% Deb	98 1/2	102	102
Admiralty 103% Deb	98 1/2	103	103
Admiralty 104% Deb	98 1/2	104	104
Admiralty 105% Deb	98 1/2	105	105
Admiralty 106% Deb	98 1/2	106	106
Admiralty 107% Deb	98 1/2	107	107
Admiralty 108% Deb	98 1/2	108	108
Admiralty 109% Deb	98 1/2	109	109
Admiralty 110% Deb	98 1/2	110	110

Pre. Ch'ge	Current	Pre. Ch'ge	Current
Unit Trust	Offer Yield	Unit Trust	Offer Yield
Authorized Unit Trusts			
Abbey Unit Trust Managers			
20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	100-00-00	100-00-00
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20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	100-00-00	100-00-00
20-01-01	Abbey Bond	1	

(Current market price multiplied by the number of shares in issue for the stock quoted)

* Ex dividend * La all * Forecast dividend * Current price * Interim payment period * Price at announcement
Dividend and yield * Dividend yield * Dividend yield
company * Pre-market figure * Forecast earnings
capital distribution * P/E ratio * P/E ratio that is
free * Price adjusted for late trading * Significant

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